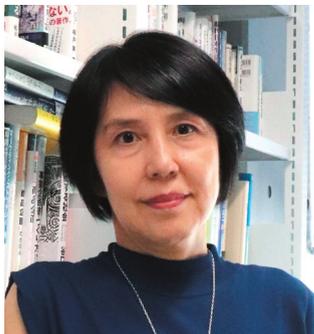


R oundtable on Making the Service Industry a Source of Japan's Soft Power (Jan. 30, 2025)

By Japan SPOTLIGHT

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Participants



Prof. Masami Morishita



Dr. Ichiya Nakamura



Dr. Kenji Shibuya



Masakazu Toyoda

Introduction

Toyoda: It is said that as an economy matures, the share of its service industries usually increases. The share of service industries in Japan's GDP increased from 52% in 1970 to 73% in 2020. Unfortunately, Japan's labor productivity is not necessarily high. Compared to the United States, Japan's productivity in the manufacturing industry is about 70%, but in the service industry it is said to be about 50%.

The service industry is now a major part of the Japanese economy, and the challenge is how to increase productivity. Japan has a current account surplus of approximately 20 trillion yen as of 2023, but in addition to a trade deficit of 6 trillion yen, there is a deficit of 3 trillion yen in the services sector. In this context, travel and tourism services have a surplus of about 4 trillion yen, and entertainment services are expected to grow significantly and now have a surplus of about 270 billion yen. Medical inbound services are also expected to grow.

In travel and tourism services, Japan is ranked 12th in the world and third in Asia after China and Thailand, according to pre-pandemic 2019 statistics. The Japanese government is aiming for 60 million foreign visitors by 2030, but the current rate of 60 million is

comparable to China and Italy, which are in fourth and fifth place, respectively.

Entertainment services, although not yet showing a big surplus, have great potential given the popularity of Japanese anime and games. Furthermore, in terms of medical inbound services, we are currently looking at 20,000 to 30,000 visitors to Japan in 2019, though this is still an insignificant level compared to Malaysia's 1.2 million and Singapore's 500,000 visitors. However, given the popularity of tourism in Japan and the high level of medical care in Japan, we feel that with some ingenuity it could be dozens of times higher.

I believe there are common challenges that need to be addressed to increase the productivity of these service industries. The first is the promotion of innovation, the second is the evolution of digitalization, and the third is human capital investment. In addition, I believe that each industry may have its own specific problems and unique challenges.

Today, I would like to discuss these issues with experts from three service industries. For the travel and tourism industry, we have asked Prof. Masami Morishita of Toyo University; for the entertainment industry, we have asked Dr. Ichiya Nakamura, president of the Professional University of Information and

Management for Innovation (iU); and for the medical inbound industry, we have asked Dr. Kenji Shibuya, chief executive officer of Medical Excellence Japan (MEJ).

Although these are different service industries, we would like to discuss these issues from the perspective of common challenges. First, I would like to ask you to discuss what are the challenges in your respective industries in terms of promoting innovation. I would like to ask Prof. Morishita to speak first. When we consider travel and tourism services, we can think about creating high value-added tourism, or fostering tourism strategy planning companies that bring together diverse players. What do you feel is important in terms of promoting this innovation?

Promotion of Innovation in Each Industry

Morishita: Tourism can be surprisingly confusing or different from what you may have in mind, so I would like to start with a brief overview of what the tourism industry is.

Generally speaking, the tourism industry includes travel, transportation, accommodation services, souvenirs, theme parks, and event conventions. The environment surrounding the industry has changed dramatically over the past 20 years, though it may be the same with other industries.

There are two major changes. It is not a question of whether to innovate or not, but rather an environment in which we have no choice but to change. One is, as you mentioned, digitalization. Stores are no longer needed, and distribution methods have changed dramatically, such as connecting customers with industries without the need for a travel agency. The way customers themselves approach information has also changed dramatically. This is a rather major change that affects the very foundation of the industry.

The other major change is the market. This has also changed over the past 15 years or so. Until now, the tourism industry mainly served the Japanese market. One point is that there has been a major shift to inbound tourism, and the customers themselves have changed.

In addition, until now, the tourism industry has been more of a method of attracting large numbers of customers and then leveling them off to lower prices, but that approach is no longer working, since large amounts of diversified tourism-related information are now available. So some of the challenges cannot be summed up in the tourism industry as a whole.

And there is also the high value-added aspect. Until now, the tourism industry has not had much of a mechanism for customers to spend money on tourist attractions. The tourism industry is an industry that is equivalent to a distributor or manufacturer, so it has been supplying raw materials from tourist attractions; in other words, it has been collecting and sending tourist resources, such as culture and nature, to customers. But nowadays this has changed drastically with the emergence of private lodging accommodations and ride-sharing.

Generally, when we talk about high value-added, we are talking about luxury hotels, first-class hotels, and the like. However, what is

needed now is to add value to the raw materials of tourist attractions. In other words, the existence of DMOs (tourism region development corporations) and DMCs (tourism region development companies), which organize tourist attractions, is becoming more and more important in order to create a system that allows a little more consumption in areas where money has not been spent so far.

Conventional tourism was centered on “seeing”, so there was no mechanism for spending much money. There was the problem of overtourism, in which only customers came to enjoy tourist spots and the surroundings, and residents there were burdened with the costs for it. This has changed a bit recently. What is called “experience tourism” with consumption is becoming popular. However, experience tourism is only practiced at a particular point, and in order to make it a high value-added product it is necessary to make it more of an area-based product. For example, we need to set a proper theme within a certain region, decide on the target customers, and provide them with the right combination of what to do, what kind of story to tell, and what kind of things to consume.

In the world today, those who support high value-added tourism are those who are looking for luxury stays and services on the traditional upscale route, and those who are a bit younger in terms of generation and engage in high consumption. There is a growing number of customers around the world, especially in Europe and the United States, who want to have authentic experiences, who want to enter a certain area to experience different things, and who want to improve themselves by doing so. Targeting them as potential tourists to Japan could produce value-added tourism that does not lead to overtourism. If DMOs and DMCs do not play a role in this process, it will be difficult to encourage consumption.

Toyoda: Now Dr. Nakamura, in terms of innovation in the entertainment industry, you recently mentioned the construction of the Dragon Ball theme park in Saudi Arabia. I think the fusion of tourism and animation is important. In particular, what do you think about the possibility of overseas expansion?

Nakamura: There are efforts to increase inbound tourism by using anime as a trigger in many areas. An organization called the Anime Tourism Association has selected 88 locations throughout Japan to promote tourism called “pilgrimages to sacred places”. To cite a few specific examples, Sakaiminato city in Tottori Prefecture, the birthplace of Shigeru Mizuki, one of the greatest Japanese authors of manga, has become the largest tourist destination in the San'in region, with 178 bronze statues of “Gegege no Kitaro” ghost characters invented by him, placed throughout the city.

Then there is Washinomiya Shrine in Saitama Prefecture, the setting of the “Lucky Star” anime, which was visited by 420,000 people, the second-largest number in Saitama Prefecture, on *Hatsumode* (the first prayer to the Sunrise on New Year's Day) in 2009. These have been in place for 15 years now. The anime “Girls und Panzer”, which is set in Oarai, an area hit by the Great Eastern Japan Earthquake, has had such a positive effect that local retail stores have increased their sales by more than 20% from what they

were before the disaster, according to some data.

Similarly, Japanese pop culture is gaining popularity overseas. The Japan Expo held in Paris every July attracts 250,000 Japanese content lovers. The Anime Expo in Los Angeles attracts even more, around 350,000 people.

Such Japanese cultural events, so to speak, are held all over the world. Some data indicate that the total number of people who attend these events exceeds 20 million every year. However, most of the events held overseas are organized locally and it is difficult to say that Japan is making the most of them as a business.

When considering the economic impact of pop culture such as animation, the ripple effect is important. If direct sales of animation are counted as 1, then sales of toys and other products, related equipment and other sales, and sales of peripheral industries, in addition to tourism, add up to about 10. In other words, the annual sales of the content industry, including animation, movies, manga, and music, are about 13 trillion yen according to data from the Ministry of Economy, Trade and Industry (METI), but if ripple effects are included, the total is estimated to exceed 100 trillion yen. Such a large external effect is the basis for policy support for the industry.

We call this policy “Cool Japan”, which aims to expand peripheral industries, including tourism, with this kind of content as the core, to raise the overall scale of industries. Until now, the focus of Cool Japan has been on domestic industries, but the policy is now moving in the direction of increasing the size of the overall pie, including overseas industries.

Toyoda: Dr. Shibuya, I feel that the concept of medical tourism is lacking in Japan. I believe that there is a great need for the fusion of medical checkups and tourism.

Shibuya: First of all, medical tourism has been practiced in Japan for a relatively long time in the form of medical support for inbound tourism. Initially, the focus was on addressing the needs of foreign tourists who came to Japan for sightseeing and faced sudden illness or accidents, rather than people coming to Japan specifically for medical treatment.

The terms “promotion of medical inbound tourism” and “growth of Japan’s medical industry” were included in the government’s “Basic Policy Plan” released last June, as well as in the Global Health Strategy formulated by then Minister of Health, Labor and Welfare Keizo Takemi, in August last year. It is very rare for the Ministry to use the term “industrialization of healthcare.” Traditionally, the medical community has been based on public insurance, and since hospital inbound services are basically provided through private-pay and not covered by public insurance, the concept of coming to Japan for medical purposes under private-pay services was difficult for the medical community, especially the Japan Medical Association (JMA), to accept.

That being said, small and medium-sized hospitals are facing financial difficulties due to negative revisions in fee schedules, leading to a rapid closure of hospitals, particularly in Tokyo. There are growing voices from the frontline saying, “If we don’t provide

private-pay medical services, we won’t be able to survive.” This trend, combined with the element of tourism, has brought medical tourism into the limelight.

I believe that medical services that involve life are the ultimate high-value-added services. However, the scope of medical tourism is very broad, ranging from wellness services such as yoga, preventive medicine, and medical checkups to cutting-edge services such as regenerative medicine and heavy particle radiotherapy. The former can generally be managed through Japan’s e-commerce market, which is one of Japan’s strengths. The latter, however, faces various regulatory challenges and requires further hospital system development. The government has decided to promote medical tourism, and medical associations are basically not opposed to it as long as the patients are foreigners. Therefore, I think it will accelerate quickly.

Toyoda: I feel that there is very great potential. I would like to ask you to lead the industry as a whole.

Now on to the next topic. I would like to ask you to speak from the perspective of the progress of digitalization. Let me start with entertainment, Dr. Nakamura. How would you describe the fusion of the entertainment industry with the telecommunications and broadcasting industry? Or, recently, I think there are possibilities for the development of new areas such as e-sports. On the other hand, we must also do our best to deal with piracy. What are your thoughts on this digitalization?

Utilizing Digitization

Nakamura: I believe that the entertainment industry faces two challenges: overseas expansion and digital expansion. Overseas sales have grown more than 3.3 times in the past 10 years and have now reached just under 5 trillion yen. This has reached a point where it is on a par with exports of steel and semiconductors. This is the reason why the government is paying renewed attention to the content industry.

Meanwhile, digital development is also progressing. Japan recognized the importance of digital distribution during the pandemic and the entertainment content industry also took advantage of the pandemic that forced people to stay at home: anime distributed to them online created a major growth opportunity. Online sales accounted for about 13% of total content sales in 2011, but by 2023 they had grown to 46.5% or about half of total content sales. While the analog content industry, such as books and newspapers, is shrinking, the digital and online sectors are responsible for most of the growth in content.

In 2021, there was news that online advertising exceeded the total of the four media (TV, radio, newspapers, and magazines). TV and newspapers are now lumped together as the four media, and those four media are considered as a whole as the rival of Internet business. However, the online media is dominated by American IT companies and digital platforms such as GAFA and Netflix. In Japan, neither the broadcasting nor the telecommunications industries have

succeeded in integrating with the content industry. Such fields should have invested strongly in content from around the year 2000, when the Internet began to grow, but Japanese broadcasters at that time were negative toward the Internet. This still resonates today.

It is also important to develop and nurture new areas such as e-sports, but in fact Japan has been a backward country in e-sports. The reason for this is that Japan has had too much success with TV games, and has lagged behind in the development of PC and Internet games. However, Japan has a solid foundation in the fields of manga and music, and is rich in production capabilities, so there is great potential to capitalize on these strengths. In this light, e-sports is also growing rapidly in Japan.

As you mentioned, the headache is piracy. In each genre of entertainment, such as manga, anime, and games, their profits are being siphoned off by overseas online piracy. This is why the Cabinet Office established the Piracy Task Force in 2018. I co-chaired the task force with Keio University Prof. Jun Murai, and we brought together relevant ministries and agencies from related industries to formulate comprehensive measures. As a result, the countermeasures to deal with piracy were strengthened. Since then, we have seen some positive results, such as the arrest of criminals overseas and the imposition of penalties. However, there is still a need for further action.

In addition, one of the current digital issues is the response to artificial intelligence (AI). Japan has revised its copyright law to make it free for AI, or computers, to learn – a strategy not seen anywhere else in the world. While both Europe and the US have moved in the direction of regulating AI, Japan has taken the lead in promoting its use, and we expect that AI will produce new entertainment contents.

On the other hand, there is a movement among creators who fear infringement of their rights, and in fact, when I asked university officials to what extent AI should be used, their responses varied from school to school, and their policies are not yet clear. How to deal with AI will be an important theme for some time to come.

Toyoda: Next, I would like to ask Dr. Shibuya whether digitalization of hospital management is sufficiently advanced? How much progress has been made in unifying medical data standards and collaborating with overseas hospitals?

Shibuya: I think that the medical industry, like other sectors, is still lagging behind in digitalization. The reason for this is that there are some stakeholders who are resistant to change, even though it would be much easier if it were digitized in a conventional manner. In other words, many people do not want their medical practice to become transparent. There are also those who prefer not to embrace digitalization. This is why progress has been slow.

However, with the working population decreasing, rural areas are losing more and more people even when offering higher salaries, and it is becoming increasingly difficult to attract nurses and other healthcare professionals. I think that digitization is a necessity, but it is still not progressing as it should.

In the context of medical tourism, diagnosis and treatment data

from overseas are often still brought on paper or DVDs. This creates an additional burden on doctors in the field, as they must also translate the data. These are the areas which medical institutions should not be responsible for, and it takes up a significant amount of time.

There are many people who would oppose the sudden implementation of personal health records (PHRs) for patients in Japan, so I believe that it would be quicker to start using PHRs for foreigners who come to Japan for medical tourism. I have a feeling that if foreigners can successfully use the system, progress will be made, as the process would ultimately be the same for both Japanese and foreigners.

The reason why I am promoting medical tourism is to avoid opposition from the medical community, especially from the JMA, by introducing the concept of private-pay medical care for foreigners first. In the end, what Japanese and foreigners do is the same, so once the system is established, Japanese people will also be able to use it. I believe that leveraging medical tourism by foreigners is one of the opportunities to reform Japan's rigid system.

Toyoda: How about AI?

Shibuya: I think AI can be used in various ways for diagnostic decisions and back-office support. In medical practice, of course, generative AI has significantly better diagnostic capability than ordinary doctors, so it should be used to support diagnostic decisions to a great extent. Even though final judgement must still be made by a physician, AI can be fully utilized in a doctor's back office or in image diagnosis. Even if we do not go as far as AI, if someone wants visit a certain region in Japan at a certain time, and inputs their medical condition, medical tourism can be facilitated in that region. I believe it is possible to create numerous apps that provide information on medical institutions, doctors, and costs for medical tourism in the area. This should be done from the user's perspective first and foremost.

Currently, in medical tourism, there are intermediaries such as agents and travel agencies involved in the process of obtaining a visa and transferring information to medical institutions. Even within medical institutions, there are various fragmented and disjointed systems. I believe that it would be better to create a kind of web portal that users can go to first, and that is what we are aiming to develop this year.

At the moment, the environment forces each user to handle every step of the medical tourism process separately. The receiving side in Japan is based on a supply-side logic and lacks a user perspective entirely. I would like to fundamentally transform this and focus on the user's perspective instead.

Toyoda: I would like to ask Prof. Morishita if it is possible to use AI to design a tourist city, as in Barcelona, using AI?

Morishita: In terms of digitalization, as well as AI, I think factual developments preceded the tourism industry's own efforts. In other

words, another industry, not the tourism industry, has entered into the reservation system field, whereas the tourism industry itself was behind the trend of digitalization in this area. One of the most common uses of digitalization is to simulate flow lines, such as the flow of customers. When there is overtourism, there is inevitably a concentration of customers in the same place at the same time, or the customers move in the same flow, so we actually use this to see how we can disperse them to other places.

I think it is a fact that the tourism industry is particularly short of labor, and if we do not use these things, we will not be able to keep up. In addition, there are so many players in the tourism industry. Without objective data, it is impossible to reach a consensus. So in order to create data for consensus building among many players, we are now promoting Digital Transformation (DX) and taking data. The Japan Tourism Agency is also subsidizing this.

In terms of high-value-added travel, in reality we cannot and will not be able to capture only high-value-added customers. In that sense, I think there are both “mass” and high value-added segments. For the so-called mass segment, I believe that AI-based travel proposals and planning proposals will advance and will have to be implemented. However, as things stand now, customers do not need AI very much. In other words, there is a lot of information available, and they have pinpointed the places they want to go, so rather than compounding this information and using AI to make suggestions, many customers go where they want to go based on what they see on social networking sites. Therefore, there is a mismatch with their needs in this area, and I think there are some areas where AI is not necessarily needed.

Toyoda: What you just said was about using digitalization as a countermeasure against overtourism. Can digitalization be a successful solution?

Morishita: Overtourism is happening only in so-called famous tourist destinations such as Kyoto and Tokyo, and we are talking about a limited number of areas. In these areas, it is necessary to first understand how the flow lines of customers work before conducting community development. Kyoto, Takayama, and other cities have already begun to introduce this system. However, we have not yet reached the point where we can make concrete plans for urban development. We are still in the process of collecting data, but the specifics of how to distribute the data and at what times of the day are still in the early stages of development, as there are not that many experts in this area. But the local governments and the national government are subsidizing the collection of data in this area, so I think the first step is to get the data ready.

Toyoda: I feel that human resources are important in both innovation and digitalization. My third question is from the perspective of human investment. I would like to ask Dr. Shibuya first. In the field of medical care, I believe that communication will not proceed smoothly if the language is not well understood. It is a matter of course to learn English, but how about inviting foreign doctors to

Japan? Also, from the perspective of training professionals, such as those who can triage, i.e., select priorities for medical treatment, those who can respond to emergencies, and hospital management, is the world of medicine progressing well?

Importance of Human Resource Development

Shibuya: In the medical and nursing care sector, human capital is crucial because, ultimately, no matter how much digitization is implemented, human hands are still involved in the process. This is especially true in medical tourism, where the target is primarily the middle class and above, and there are many areas that cannot be handled solely by machines.

First of all, I believe that the only way to create a private medical care sector is for private operators, global insurance companies, and other consumer service providers to take the lead. Ultimately, this can be achieved by establishing hospitals specializing in private medical care.

As for language support, we are not only focused on English, but also targeting wealthy Vietnamese, wealthy Chinese, and eventually people from India and the Middle East. In terms of multilingual services, medical interpreting differs from regular interpreting, as it requires considerable expertise, particularly in areas like safety assurance. Qualifications for medical interpreters and telephone interpreters have already been developed for the Tokyo Olympics, and I think we should actively utilize such qualifications.

On the other hand, there are so-called coordinators, but their role is not just to connect patients with medical institutions. It is difficult for machines to determine which hospital is best suited for a patient’s needs and medical condition, and in what medical and socioeconomic context. There are very few coordinators with clinical experience, or health concierges as they should be called, and we are currently in the process of training such professionals.

Medical care cannot exist without human resources, so human capital is the key. In particular, we need people who can add value, not only by connecting existing services, but also by creating new services from existing ones, along with individuals who can manage these processes. The medical community has traditionally been able to function with public insurance, so I expect that fostering connections between personnel in the medical and the private sector, especially from the standpoint of high-value, user-centered private medical care, will positively influence the public insurance system.

Toyoda: Do you have any kind of human resource training institution? Is it the training of personnel to support doctors rather than doctors themselves?

Shibuya: Nowadays, to be honest, it is extremely burdensome for the frontline workers, such as doctors and nurses. Ideally, healthcare professionals on the frontlines should be placed in an environment where they can provide the best possible service to any patient in front of them, whether Japanese or foreign. However, for example,

whether it is language support, dealing with patients, or handling data that comes in paper form, healthcare professionals are burdened with unnecessary tasks that go beyond their primary responsibilities. The most important point is to eliminate as much of that extra work as possible. To achieve this, we need more than just medical personnel. This is where the medical coordinator personnel I mentioned earlier comes in, and of course DX also plays a key role.

Toyoda: Is there still resistance in Japan to inviting foreign doctors themselves?

Shibuya: We must convince doctors to refer their patients to Japan, so I believe that we must definitely foster medical exchanges, although this is a process that needs patience. If doctors in other countries do not perceive the added value of sending their patients to Japan, the patients will not come on their own. Although medical treatment cannot be performed without a Japanese medical license, remote diagnosis, demonstration of medical procedures, observation, and training are possible, so I think we should actively promote medical exchanges, especially in advanced medicine. In special economic zones, it may be possible to do so without a license, but I think there are still challenges to overcome.

Toyoda: Dr. Morishita, I know this is elementary, but some people say that Japanese tourism personnel lack English and other communication skills. What is the actual situation? And what do you mean by “highly-skilled” human resources who can meet the needs of professional guides and wealthy foreign tourists? What about the development of educated personnel?

Morishita: Language skills are of course necessary and indispensable, but I don't think they are the first requirement. As for translation, although it is not digitalization as I mentioned earlier, it is already quite advanced and can be done to a certain extent with a single smartphone. Securing human resources is a matter of both quantity and quality.

If you are talking in terms of quantity, the tourism industry, as you know, has low salaries and not very good working conditions. And we have now come to a point here where the cost of lodging has skyrocketed. Everyone says it's tough, but I think the industry has finally established a base from which salaries can be raised. The reason why people don't stay is because the working conditions are poor and they are not respected, so first of all it is difficult to secure a quantity of workers. That is one point. It is not only about salaries, but unless the industry is made to be respected a little more, human resources will not stay in it.

In terms of quality, including language skills, we are talking about the two groups I mentioned earlier: those who come to Japan via social networking do not need a guide of that caliber. On the other hand, for affluent travelers who want high value-added travel, it is necessary to have a proper guide. Guides are also not well respected. Of course, it depends on the country, but in general, hiring a guide for eight hours a day in other countries, especially in Europe, costs

more than 100,000 yen, but in Japan, even if you hire a guide for one day, the cost is as low as 20,000 to 30,000 yen. On the other hand, there are also volunteer guides, and I think this is where the difficulty lies.

However, the world of tourism is not just about being able to guide; in the end, you need a coordinator. In order to deal with wealthy people who want to go trekking in an area, for example, you need to have knowledge of trekking itself, as well as miscellaneous knowledge about the area. Naturally, hospitality is also necessary. You need to know what they are looking for and be able to respond to them by telling them that they are tired and should move on to the next one. In this case, the cost of the tour would have to be quite high to make it worthwhile, but since the price does not go up very much, there is no one to be a guide.

There are qualifications such as guide interpreters, but they do not increase salaries to any great extent, and it is not only a matter of language skills. Now that there is a clientele coming in from overseas in the form of high value-added tourists willing to pay a certain amount of money, I feel that the cost of guides will rise a little due to external pressure.

Toyoda: One point, you used the word “respect”. Internationally, for example, is the tourism business respected in the US and Europe?

Morishita: The tourism industry has been seen as more of an entertainment industry worldwide until now, so it is not only in Japan that the tourism industry itself is not respected in that sense. However, in the case of other countries, they receive a certain amount of expenses, so I think that this part of the industry makes a certain amount of difference.

Toyoda: Why are they willing to pay the fees abroad?

Morishita: I think this is partly because the overall cost of living is high, but also because, as in the case of high value-added tourism mentioned earlier, there is a large number of visitors who want to learn about the area and enjoy a good trekking experience, even if they have a guide. As in Japan, people who come to a place after learning about it through social networking do not need a guide; they tend only to take pictures and leave.

Toyoda: Dr. Nakamura, if overseas expansion is important, I think it is important to develop producers, marketing strategies, and specialists who can realize this. I have heard that South Korea is very enthusiastic about this. What is the situation in Japan?

Nakamura: In the content field, human resource development was considered the most important issue. About 25 years ago, when the government launched its content policy, the main issue was how to develop human resources for production, creators and artists. At the time, there were no film schools or other institutions of higher education in Japan. Various schools and faculties have since been established.

Before that, Japan had created a model that did not exist anywhere else in the world through initiatives that included compulsory education and high schools, such as light music clubs and manga clubs, so the people on the creative side and the human resources were already in place. However, like tourism, content also has the problem of what to do about low wages.

On the other hand, the current issue is that there are not enough people to develop overseas business, i.e., people who sell rather than people who make, producers and managers. However, there does not seem to have been visible improvement in this. The Ministry of Economy, Trade and Industry holds the “Entertainment and Creative Industries Policy Study Group” and we have been hearing from related industries such as games, animation, manga, and music for a long time, and the one thing that comes up unanimously from all industries is securing international business personnel. The current situation is that each content company has been developing its human resources through on-the-job training, and there are few schools or faculties that specialize in this area, even at universities. I do not know of any Japanese economics, business administration, or MBA schools that focus on this area.

In fact, that is what I myself am trying to set up right now. There is an entertainment MBA program called Thunderbird, which is based in Hollywood, and my university, iU, is trying to attract them to Japan and establish a Japanese school in cooperation with the Japanese entertainment industry and the government. iU has been working with the Japanese entertainment industry and the Japanese government to establish a school in Japan. We are planning to conduct a trial this year and start an MBA course next year. This is one small trial. We believe that we need to increase many such movements.

Toyoda: Thank you very much for your comments, and I was thinking that in a sense, medical tourism is connected to tourism, and that it would be very useful to establish a school where medical care, tourism, and entertainment can be well connected to each other.

This brings me to my last question. I think that each industry has its own problems and challenges. Let me start with you, Prof. Morishita. From the perspective of tourism, what are the specific issues that Japan is facing today? You have talked a little about overtourism, but when you think of specific problems in the industry, what kind of problems come to mind?

Challenges Specific to Each Industry

Morishita: Although there are many detailed issues, I believe that the biggest issue for tourism in Japan at present is the need for a proper direction on how to position tourism. The number of tourists will increase more and more, regardless of Japan’s efforts, because the external environment is very favorable. But I believe that unless we establish a proper policy of how to position the tourism industry, we may just be swept along by the market and wonder what is left at the end of the day. We must consider how each municipality thinks

about tourism in its own region, and not simply how to attract visitors.

Tourism is inevitably focused only on the economic benefits. Of course, the economic benefits are a great advantage, but for local residents, overtourism may mean that nothing good comes from having people come to the area. I often say, “It’s good for all sides.” This means that the tourists are happy, the businesses are happy, the residents are happy, and the environment is happy. Unless each recipient of tourism is willing to think about how to realize these goals, I believe the market will simply carry the tourism industry along with it. In addition to the economic benefits of tourism, I believe that a grand design should be properly drawn up, such as passing on local culture.

Regarding overtourism, the United Nations World Tourism Organization issued guidelines a long time ago. There are about 12 guidelines on what should be done. It also says that we should disperse and give back to the residents in a visible way. However, as I mentioned earlier, it is important for the community itself to choose its own customers, and for us to properly choose what kind of customers we want to see in our community.

What if the first priority is to make money? If we don’t properly position ourselves, including balancing whether we want to carry on our own culture or not, we will be swept along just because the market is good, and we will end up only responding to that, which is a matter of great concern.

Toyoda: While a national strategy is a matter of course, we also need a strategy that makes the most of the individuality of local regions.

Morishita: That is right. As for the national strategy itself, the fourth Basic Plan for the Promotion of a Tourism Nation was being formulated in 2023. The plan calls for sustainable tourism. Sustainable tourism means not only the return of nature, but also the return of industry, and the securing of human resources, rather than their leaving the country.

In addition to sustainable tourism, high value-added tourism is coming to the forefront. Until now, the number of visitors was only a target of 60 million, but the high consumption value and sustainability are coming to the forefront. However, since inbound tourism has only started to increase extremely in the past 12 or 13 years, it is still a follow-up measure, and I think the current situation is that a grand design has not been drawn up yet.

Toyoda: Although the challenges are great, the opportunities are also great, aren’t they?

Morishita: That is correct. The market is growing rapidly, so I think the question is how to make the most of it.

Toyoda: Now, Dr. Nakamura, in the entertainment industry, Japan’s share of the world market is 7%. With the US at 43% and China at 19%, what are the key issues for Japan to increase its share?

Nakamura: As you say, the potential is great. What we should do, I repeat, is focus our efforts on overseas and digital. On overseas expansion, I mentioned that the export of contents has grown more than 3.3 times in the past 10 years, and 90% of exported contents are animations and games. The industrial structure is such that animation accounts for 30% and games for about 60%.

Recently, too, Japanese popular music has grown overseas, with artists such as Yoasobi and Fujii Kaze gaining popularity on the Internet, and in the case of movies, *Godzilla-1.0* won an Academy Award and *Shogun* won an Emmy Award. and so on. I think we have a great opportunity to spread through the Internet. This is a different trend from what we have seen in the past.

In terms of overall Japanese strength, it is characters. An American company's survey of the world's top 25 selling characters shows that of the top 25 characters of all time, 10 are Japanese: Pokemon is No. 1, Hello Kitty is No. 2, and Anpanman is also high on the list. The industry believes that concentrated growth in these areas will be the strategy for the future.

What is lacking, then, is the development and securing of human resources to develop this as a business. In this case, the human resources are those who can formulate strategies to link this to tourism or medical tourism, for example, and that is what is said to be lacking. I think this is something that we need to consider on today's theme.

Another is digital readiness: Japan does not have its own platform like GAFa or Netflix. The Sony Group acquired an American company called Crunchyroll for online distribution of anime, if there is such a thing. So it is difficult for Japan to make a game-changing move in that area, i.e., the online business. I believe that the digital and IT market is almost completely cleared. So one thing we can do is to compete in the area of characters. If this is possible in the future, AI will have a great impact on this field. If this is the case, the next theme will be how to formulate a strategy and how to create a business that utilizes AI.

Toyoda: Thank you very much. Just as there are many resources for tourism, there are character resources, and young people who come to Japan are first drawn to anime, so I think there is great potential.

Finally, I would like to ask you something, Dr. Shibuya. I heard that Japanese patients feel uncomfortable when there are many foreign patients. What should we think about that? I have also heard that there is a suggestion to make it easier to obtain a visa for medical-related visits to Japan. What are your thoughts in this area?

Shibuya: Perhaps you are referring to the future. First of all, there has been an overwhelming influx of inquiries from various organizations since the release of last year's "Basic Policy" and the Ministry of Health, Labour and Welfare's Global Health Strategy. However, we must understand the situation where patients are not coming to Japan in the first place.

We conducted a survey this year in Vietnam and found that there are actually many people who would like to receive treatment in Japan. This made me realize that healthcare is a powerful asset for

Japan. However, there are high barriers to actually reaching people who want to come to Japan. For example, there are many people wanting to come to Japan who face a month-long process to apply for a Japanese visa, so they end up choosing to go to Singapore, where they can get a visa in just a week. Additionally, as I mentioned earlier, the barriers to accessing medical facilities are too high and not designed from a user's perspective, which is a common issue across the tourism industry. We need to resolve these issues step by step.

To begin with, the industry has not conducted thorough market research. What are the strengths of Japanese healthcare? How are competing countries such as Singapore, Malaysia, and South Korea doing? What kind of people do they actually want to attract? What are they looking for, and what kind of patient journey are they seeking? Public medical insurance reimbursement is uniform across the country, but the benchmark for medical tourism is three times that amount – is that enough to cover costs? We have not yet established such a basic market strategy, so we need to focus on that first. I believe that maintaining the status quo will not lead to success, which is why I am trying to create as many successful cases as possible with individuals who are determined to bring about change.

Finally, unless we break free from the spell of public insurance and create an atmosphere where it is acceptable for medical care to generate revenue – as it is also a service – the medical industry as a whole will decline. This is because everyone is doing good work without making money, eventually leading to exhaustion by long working hours.

Therefore, the first step is to properly price services according to their value and experience firsthand so that this will lead to reinvestment in the next step. This will improve user services, the overall environment, and provide incentives for us. I believe that medical tourism can be a breakthrough for private medical care for this purpose. That is exactly the kind of momentum we are experiencing right now, and I believe we should not let it slip away.

Toyoda: Thank you very much. I think that content, tourism, and medical tourism all have great potential, but I feel that the common issue is that there is not yet a sufficient strategy. Of course, METI is developing various policies, but I feel that those in charge need to be motivated. The Japanese service industry in general has great potential, but I believe that these three industries are also important to help Japan contribute to world peace as a soft power. I wish you all the best in your further contributions and development. Thank you very much. JS

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