

## Increase of “Foreign Visitors” and expansion of lodging facilities

“Foreign Visitors” who visited Japan reached almost 20 million in year 2015. The government considers tourism as a pillar of PM Abe’s growth strategy to achieve GDP target of JPY 600 trillion and announced “Tourism Vision to Support the Future of Japan” on 30<sup>th</sup> March, 2016. The government set a mid-term target to double foreign tourists visiting Japan to 40 million by 2020 and triple to 60 million by 2030. In order to achieve these targets, the government needs to enhance construction of new lodging facilities and to relax rules of so called ‘minpaku’ (private lodging services).

### Point 1

#### Total number of “Foreign Visitors” increased 29% to 9.73 million for Jan.-May. 2016

##### Growth pace slowed down affected by Kumamoto Earthquake

- The “Number of foreign tourists visiting Japan” in May 2016 was released by Japan National Tourism Organization (JNTO) on 15<sup>th</sup> June. The number rose 15.3% YoY to 1.89 million. Pace of growth has slowed to 10% level for two consecutive months mainly due to decline in visitors from neighboring South Korea affected by Kumamoto Earthquake. Visitors from China increased 31% YoY maintaining relatively stronger momentum compared to other countries. Total number of “Foreign Visitors” from January to May 2016 increased 29% YoY to 9.73 million.

### Point 2

#### Shortage of lodging facilities will be a bottleneck in the future

##### Aiming at doubling number of “Foreign Visitors” to 40 million by 2020

- The Japanese government announced its plan to double the number of “Foreign Visitors” to Japan from 20 million in 2015 to 40 million by 2020. Growth rate of about +15% per annum from year 2016 will achieve this number.
- However, there is a concern over shortage of lodging facilities if the number of “Foreign Visitors” continues to increase in the future. Already, hotels of large cities and famed tourist spots are almost fully occupied and room charges are increasing substantially. It is necessary to take measures as soon as possible, as increase of guest rooms is limited even with new hotel constructions in the pipeline.

#### “Quantitative Goal of Tourism Vision to Support the Future of Japan”

	Year 2020	Year 2030
Number of foreign tourists visiting Japan	40 million (about 2 times)	60 million (about 3 times)
Amount of inbound tourism consumption	JPY 8 trillion (over 2 times)	JPY 15 trillion (over 4 times)
Cummulative total night of stay by foreigners in local region	70 million nights (less than 3 times)	130 million nights (over 5 times)
Number of repeaters of foreign tourists	24 million (about 2 times)	36 million (about 3 times)
Amount of Japanese tourists' consumption in Japan	JPY 21 trillion (about +5%)	JPY 22 trillion (about +10%)

(Note) Numbers in () are change compared to actual result of year 2015. Exception is "Amount of Japanese tourists' consumption in Japan", which is a comparison against past 5 years average.

(Source) SMAM, based on available material of the Japanese government.

# Expectation on easing rules of ‘minpaku’ (private lodging services) and hotel floor area ratio

- Currently two effective measures are in progress to increase number of lodging facilities. First one is to promulgate minpaku. This measure can immediately increase capacity of accommodations, as it basically makes use of existing apartments and houses. Minpaku has already started at the special economic zones such as Ota Ward of Tokyo. The Japanese government is considering deregulation such as amendment of “Inns and Hotels Act” in order to expand minpaku nationwide.
- Second one is to create frame work of easing restrictions on floor area ratio for lodging facilities, announced by Ministry of Land, Infrastructure, Transport and Tourism on 13<sup>th</sup> June 2016. This new frame work will increase floor area ratio of lodging facilities such as hotels by 1.5 times at most. As an example, under this framework, nine-story hotel can be built on the site currently allowing construction of six-story hotel at most. This deregulation draws keen attention, as it is expected to have strong impact on promoting rebuilding and new construction of lodging facilities.

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