

New Cool Japan Strategy

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Intellectual Property Strategy Headquarters

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I General statement

1. Rebooting Cool Japan

The policy focusing on Cool Japan began with the Ministry of Economy, Trade and Industry around 2010, and since the appointment of the Minister of state for Cool Japan Strategy in December 2012, the Cabinet Office, Secretariat of Intellectual Property Strategy Headquarters has been acting as a leadership, working in coordination with various initiatives by concerned government ministries to promote the overall coordination of Cool Japan.

Namely, the Cabinet Office, Secretariat of Intellectual Property Strategy Headquarters established the “Cool Japan Public-Private Partnership Platform” in December 2015 to establish a system for the public and private sectors to work together while deepening Cool Japan. Additionally, in September 2019, the “Cool Japan Strategy” (September 3, 2019, Intellectual Property Strategy Headquarters) was formulated, setting forth the direction of measures to be undertaken.

However, immediately after the above, the spread of the COVID-19 infection severely affected Cool Japan-related fields such as food and beverage, tourism, culture and the arts, and events and entertainment. The government, in cooperation with related industries, has taken various support measures to ensure the survival of Cool Japan-related fields and the continuation of activities and employment opportunities for people working in these fields.

Since then, the environment surrounding Cool Japan has changed drastically and moved into a new phase with the Post-COVID-19 era, including the relaxation of border measures.

The first change in the environment is the enormous increase in popularity of Japanese content around the world, particularly anime and video games.

Specifically, as video distribution services become increasingly the popular worldwide¹, Japanese anime and manga are attracting not only a certain audience but also many young people in general in foreign countries². Not only anime itself, but also live-action dramas³ and theme songs based on them are gaining popularity⁴. Home video games, which were competitive to begin with, have adapted to

¹ ¹ The global video distribution market is expected to grow to \$137.1 billion in 2025 (approximately 3.1 times that of 2018). (Based on “WHITE PAPER Information and Communications in Japan 2023 Data Collection,” (MIC)

² For instance, “THE FIRST SLAM DUNK,” the film version of the popular basketball manga “Slam Dunk,” has attracted a lot of attention with a worldwide box-office revenue of 39 billion yen and an audience of over 37 million people, while “Suzume” has gained popularity with a worldwide box-office revenue of 46 billion yen and an audience of over 46 million people. In addition, “The Boy and the Heron” was selected for the U.S. Academy Award for Best Animated Feature Film.

³ For instance, “ONE PIECE” distributed on Netflix in the U.S. in August 2023 ranked first in 46 countries for the first time and in the top 10 in 93 countries. In addition, “Yu Yu Hakusho” distributed in December of the same year ranked first in the weekly global top 10 (non-English series) and second worldwide in all language series including English. Hollywood has seen a string of live-action adaptations of Japanese manga originals, and this trend is expected to continue in the future.

⁴ For instance, LiSA's “Gurenka,” the opening theme for “Demon Slayer,” was ranked as the “most streamed Domestic Artist’s Songs Abroad” and LiSA was ranked as the “most streamed domestic artist abroad” (both in 2020; according to Spotify.) . In addition, YOASOBI's “Idol,” the opening theme song for “Oshi no ko,” became the first Japanese-language song to reach No. 1 on the U.S. Billboard Global Charts “Global Excl. U.S.” (in 2023, according to Billboard JAPAN).

digital distribution and are now expanding overseas. Movies⁵ utilizing game characters and live-action movies with subtitles, which were long considered difficult to produce, have also become big hits⁶.

Consequently, the content industry has become a large business with a scale of 4.7 trillion yen⁷, rivaling the steel industry in export value and approaching the semiconductor industry⁸ in overseas development, and is now positioned as a key industry that earns a large amount of foreign currency.

In addition, “tour of related places,”⁹ in which foreign visitors to Japan visit places that have appeared in anime works or the birthplace of the original creator, has become popular, bringing a significant ripple effect to inbound tourism due to the popularity of anime content¹⁰.

The second change in the environment is that foreigners are increasingly expecting and interested in Japanese food.

Japanese food has become the biggest driving force¹¹ behind their visit to Japan, with ramen, curry, yakiniku, and onigiri gaining popularity in addition to the more typical sushi, tempura, etc. Furthermore, many foreign visitors to Japan often come to local auberges that offer “hospitality” with local products, even though they are located in areas where transportation is difficult.

The third change in the environment is the diversification and deepening of inbound tourism, with an increase in the number of foreigners who have visited Japan two or more times (repeaters)¹², as well as an increase in the length of their stay in Japan¹³.

Foreign visitors to Japan for the first time often visit the so-called “Golden Route” (Tokyo, Kyoto, Osaka) or tour famous tourist destinations. On the other hand, foreign visitors visiting Japan for the first time tend to value and pay more for the “experience” of visiting a single place or region for a long period of time to “taste it as it is” or “experience something unusual” rather than visiting a variety of

⁵ For instance, “The Super Mario Bros. Movie” grossed approximately 190.8 billion yen at the worldwide box office, making it the second-biggest animated film on record.

⁶ For instance, in the U.S., “GODZILLA MINUS ONE” became the No. 1 Japanese live-action film of all time at the U.S. box office and was selected for an Academy Award (Best Visual Effects).

⁷ Based on “Japan and Global Media × Content Market Database 2023” (Human Media Co., Ltd.)

⁸ The export figures for the steel industry and semiconductor industry are 5.1 trillion yen and 5.7 trillion yen, respectively (both in 2022). (Refer to Chart 6 for the source of each.)

⁹ It is sometimes referred to as a “pilgrimage to a sacred place” or “Set-jetting”.

¹⁰ It is estimated that 1.15 million inbound tourists visited places related to anime and purchased 35 billion yen worth of anime-related goods. The potential demand for tours related to anime is estimated to be 2.6 million people, with an expected domestic expenditure of 400 billion yen. (Based on the 23rd Council of New Form of Capitalism Realization [October 25, 2023], Document 1).

¹¹ Regarding expectations before visiting Japan, “Eating Japanese food” has consistently ranked first (2023: 83.2%) since 2014. (Based on the “Survey on Trends in Consumption by Foreign Visitors to Japan” [Japan Tourism Agency(JTA)]).

¹² The number of foreign visitors to Japan has increased significantly from approximately 4.01 million (2011) to 20.47 million (2019). (Estimated based on “Statistics on Foreign Visitors to Japan” and “Survey on Consumption Trends of Foreign Visitors to Japan” [both by JTA]).

¹³ Regarding length of stay (sightseeing and leisure), the percentage of stays of 6 days or less has decreased (from 71.1% (2011) to 61.7% (2019), a decrease of 9.4 points) and the percentage of stays of 7 to 13 days has increased (from 20.0% (2011) to 30.7% (2019), an increase of 10.7 points) (“Trends in Foreign Visitor Consumption in Japan”) (Based on “Survey of Trends in Foreign Visitor Consumption in Japan,” [JTA]).

places¹⁴.

In addition to this, the global security environment is becoming more severe due to the confrontation between the U.S. and China, Russia's invasion of Ukraine, and other issues. Under these circumstances, it is becoming increasingly important to increase the number of Japanese fans around the world and enhance “Soft power” to attract the world with Japanese culture and other attractiveness, which will contribute to Japan's political diplomacy and national security.

Seizing the tidal wave of these changes in the environment, the time has arrived for a “Reboot” of Cool Japan, aiming for even greater heights.

Japan already has a large number of intellectual assets (IP) in the broad sense of the term, including content, diverse and delicious food, and nature and traditions of various regions. By utilizing these IP, amidst the advancement of digitalization, Japan stands in an excellent opportunity to establish a virtuous cycle of “innovation” by incorporating new technologies, providing high “experience value” to diversified and deepened “fans of Japan,” generating high profits and earning foreign currencies, which will then be reinvested by relevant stakeholders.

To achieve these objectives, it is crucial to strengthen the international competitiveness of the core content industry, develop leaders of Cool Japan, utilize diverse human resources including foreign nationals, and promote digitalization and digital transformation (DX), including the use of new technologies.

Based on the basic concept and approach presented in the previous “Cool Japan Strategy,” we have determined to formulate a “New Cool Japan Strategy” based on an effective action plan that responds to changes in the environment surrounding Cool Japan, including a strategy for the core content industry.

2. Changes in the environment surrounding Cool Japan

(1) Expansion, diversification and deepening of “Japan fans” in Post-COVID19 era

The popularity of Japanese content and food is growing in earnest worldwide, and global demand for Cool Japan, such as the recovery of inbound tourism, is increasing, leading to an expansion, diversification, and deepening of Japan fans¹⁵.

In the content field, the worldwide expansion of digital distribution has changed consumption behavior (e.g., increased subscription viewing in video and music distribution), and the global content market is expanding significantly with high growth expected¹⁶. In response to these changes,

¹⁴ Not only inbound tourism, but also for food, for instance, it is pointed out that in the initial stage, consumers' affinity increases with Japanese sweets and cup noodles, and in the next stage, with onigiri and ramen noodles, and in the next stage, with beef bowl and curry rice, and after breakthroughs such as sushi, consumers' interest in more difficult foods such as tempura, sukiyaki, and sashimi grow. It is necessary to take this into consideration.

¹⁵ In recent years, many Japanese athletes in baseball, soccer, basketball, tennis, and other sports have become active around the world, and many foreigners have become fans of Japan through sports. It is important to increase the number of such athletes and expand the number of Japanese fans, as well as to link these Japanese fans to behavioral changes, such as inbound tourism (visiting Japan) and experiencing Japanese food.

¹⁶ For instance, the growth rate of the content market is estimated as follows: animation: 29.19%, movies: 29.05%, music: 12.85%, manga: 9.33%, and games: 6.07% for the average annual growth rate from 2020 to 2025, significantly higher than the global GDP growth rate (about 3%). (Based on “Entertainment Contents ∞ 2023 Reference Materials,” Japan Economic Federation (general incorporated association))

there is a need for structural reform of the business model to accommodate overseas markets with the aim of capturing and further expanding the growing global market, leveraging the current popularity of anime, manga, and video games.

Inbound demand is also recovering rapidly¹⁷, requiring the provision of high “experience value” and unique Japanese luxury value to deep fans of Japan.

While exports of agricultural, forestry and fishery products and food were strong in the COVID-19 pandemic, interest in Japanese food and food culture has grown significantly among foreigners, providing a great opportunity for further overseas expansion through experiencing Japanese food during visits to Japan and expanding Japanese food and food culture in other countries.

(2) Promotion of digitization and digital transformation (DX), and utilization of new technologies

While digitalization and DX are progressing in all areas of the world, digitalization and DX efforts in Cool Japan-related fields are lagging behind¹⁸.

It is important to address issues: digital distribution and DX of production systems in the content field; support and streamlining of creation using generative AI; digitization of ticket sales and improvement of interfaces for live events and others; improvement of productivity through digitization and DX in inbound tourism and others; and establishment of a system for creation and distribution of “value experience” utilizing new technologies such as Web3 and VR /metaverse and other new technologies.

(3) Increased risk of international politics and economic situations

International political and economic risks are increasing as the environment surrounding Japan's security becomes more severe due to the confrontation between the U.S. and China, Russia's invasion of Ukraine, and the escalation of conflicts in the Middle East. Under these circumstances, from the perspective of security, Cool Japan is becoming increasingly important in gaining “empathy” from around the world and expanding the number of Japanese fans.

Additionally, it has become important to build a portfolio consisting of various overseas markets, rather than being overly dependent on a few countries or regions as export destinations, in preparation for the case that risks may materialize.

(4) Growing awareness of “wellbeing” following “sustainability”

"Sustainability," including the SDGs, has become a common word in all fields worldwide, and there is a growing awareness of “transformative” and “wellbeing”. Many inbound visitors to Japan are

¹⁷ The number of foreign visitors to Japan reached 25.07 million (in 2023), a steady and rapid recovery since the elimination of border control measures, exceeding 100% of the 2019 level for the first time in a single month in October of the same year and 78.6% of the 2019 level for the year overall, or around 80% of the 2019 level. (Based on data from the Japan National Tourism Organization [JNTO].)

¹⁸ Regarding global Entertainment & Media revenues, the share of digital has increased to 66% (2022) (55% in 2018). In this context, in Japan, the ratio of digitalization of video and music is 71.0% and 52.5%, respectively, considerably lower than in other countries (both in 2022). (From Document 1, Council of New Form of Capitalism Realization [26th] [April 17, 2024])

looking for authentic Japanese attractiveness, such as satoyama, where people and nature are in harmony.

To gain “empathy” from the rest of the world and to expand and deepen Japan fans, it is important to keep these values and awareness in mind while advancing Cool Japan initiatives by promoting Japan's unique “value of experience,” which is not something borrowed from overseas.

(5) Expo 2025 Osaka, Kansai, Japan

The Japan World Exposition (Expo 2025 Osaka, Kansai, Japan) will be held next year (2025), and 3.5 million foreign visitors are expected to attend during the period of the Expo. In addition, various events are anticipated to be held outside of the Expo site, as well as exchanges¹⁹ with local public organizations, and other events are expected to attract foreign visitors to other parts of Japan in addition to Osaka/Kansai.

Expo 2025 Osaka, Kansai, Japan is an excellent opportunity to showcase the attractiveness of Japan as well as Japanese technology to the world, and it is important to take advantage of this opportunity to further expand Japan fans and strengthen its soft power, including through related events outside the venue and before and after the event period.

3. Review of Cool Japan Strategy

(1) Efforts to date

The Cabinet Office, Secretariat of Intellectual Property Strategy Headquarters held the Regional Cool Japan Promotion Council from December 2013 to December 2021 (16 times) to discuss successful cases and issues of overseas development in local regions. Furthermore, in 2015, the “Cool Japan Public-Private Partnership Platform” was established, and in recent years, efforts have been made to unearth, hone, and disseminate regional attractiveness, accumulate and frame good practices, as well as focus on building a network of human resources (leaders).

In the concerned government ministries, the Cabinet Office serves as a leadership and works in cooperation with related organizations²⁰ in the following areas: overseas development of content, support for creators, inbound incentives, exports of agricultural, forestry and fishery products and food, as well as information dissemination to overseas markets²¹.

(i) Overseas development of content and support for creators

The Ministry of Economy, Trade and Industry (METI) provides support through subsidies for the content industry aimed at promoting the overseas expansion of the content industry. Specifically, METI has provided various support programs: support for localization and

¹⁹ The Expo's International Exchange Program will utilize National Days to promote international exchange between children and young people from local governments throughout Japan and the Expo participating countries.

²⁰ Refer to Figure 1 for the main organizations involved. Hereafter, abbreviated names in Figure 1 may be used.

²¹ In September 2019, the “Cool Japan Strategy” was formulated, followed by the establishment of the “Cool Japan Strategy Council” in November of the same year to strengthen cooperation among concerned ministries and agencies where discussions are being held (four times) to create successful cases through cooperation among ministries and agencies.

promotion to promote overseas development; support for new initiatives using digital technology to promote digitization and system development to improve the efficiency of content production and distribution processes; support for domestic video production for the global development of the video industry; and support for location incentives of overseas video production companies.

In addition, in developing overseas operations, METI has been implementing measures to combat piracy (including promotion of distribution of legitimate versions), which can result in lost profits for businesses, and to improve content production sites.

Furthermore, Cool Japan Fund Inc.²² has been supporting businesses that serve as a platform for connecting Japanese products and services with local consumers overseas, with the aim of having a ripple effect of encouraging more Japanese businesses to develop overseas demand through investments of Cool Japan Fund Inc.²³.

The Agency for Cultural Affairs has been engaged in a wide range of initiatives to support creators: support for creative activities and human resource development in media arts such as manga, animation, and games; promotion of Japanese films; support for creative activities in performing arts; promotion of various genres such as the promotion of Japanese art on a global scale; strengthening the foundation for artists' activities; support for overseas training for promising artists; support for the international activities of future top artists; and measures against piracy. In addition, a fund has been established at the Japan Arts Council to strategically select young, particularly talented creators with potential for success in Japan and abroad, supporting their activities over multiple years, from planning and production of performances to overseas development.

The Ministry of Internal Affairs and Communications (MIC) works with local governments and businesses in the tourism industry, in cooperation with broadcasters and others, to support efforts, such as joint production with overseas broadcasters of broadcast content that conveys the attractions of each region to the world, to raise interest in Japan and attract demand from overseas, and to promote the revitalization of regional economies and the strengthening of soft power. In addition, through support for international trade fairs, trade opportunities are secured to promote the overseas development of Japanese broadcast content.

(ii) Inbound incentives

In March 2016, the government formulated the “Tourism Vision to Support the Future of Japan” and set such goals as increasing the number of foreign visitors to Japan to 60 million and the value of foreign travel spending in Japan to 15 trillion yen (both in 2030).

Based on these targets, the Japan Tourism Agency, in cooperation with the Japan National Tourism Organization (JNTO), has been working to promote inbound travel to Japan by

²² It is a public-private fund established in November 2013 to provide risk money and other support to business activities that cultivate overseas demand for attractive products and services that utilize the characteristics of Japanese lifestyle and culture, as well as to business activities that support such activities, while complementing the private sector.

²³ For more information on the Cool Japan Fund Inc., refer to pp. 11-12.

enhancing its website from a foreigner's perspective and participating in overseas travel expos. In addition, efforts have been made to promote social networking services to encourage future visits to Japan even during the COVID-19 pandemic.

Since the relaxation of border control measures, taking into account the changing attitudes of foreign visitors to Japan, promotions with the keywords of “sustainable tourism,” “increase in consumption,” and “promotion of regional areas” have been implemented.

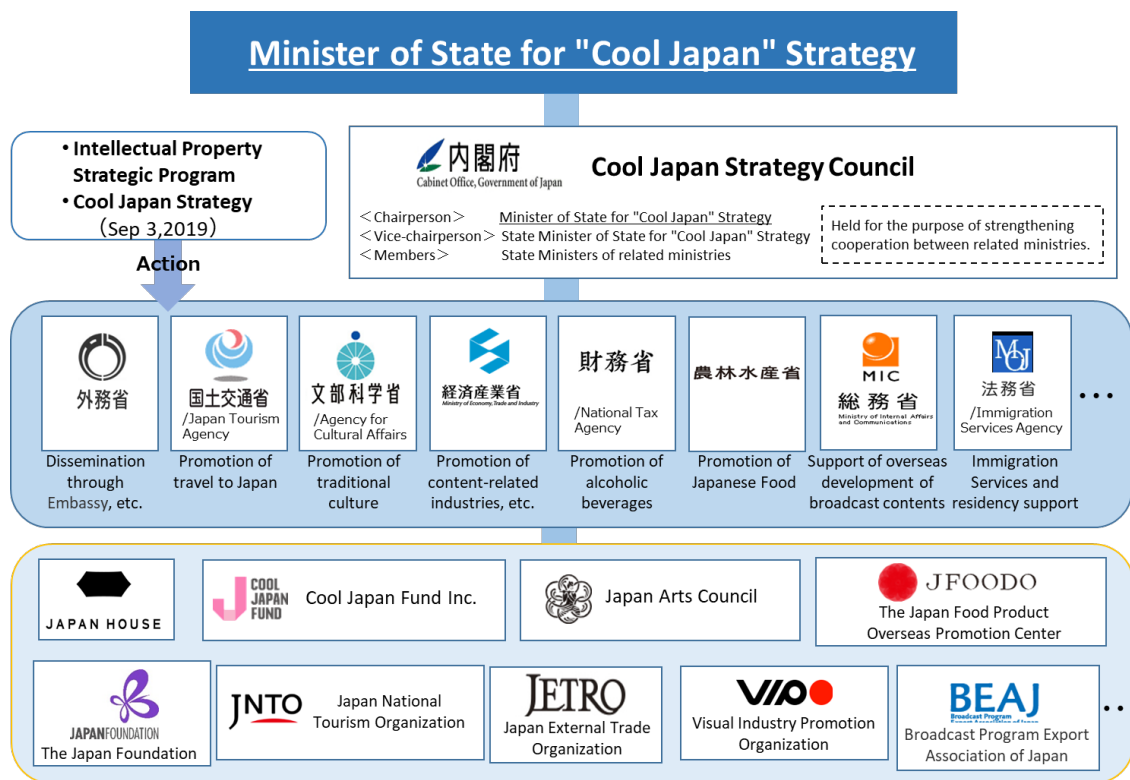
(iii) Export of agricultural, forestry and fishery products and food

The Ministry of Agriculture, Forestry and Fisheries (MAFF) has supported export business operator support by the Japan External Trade Organization (JETRO) and strategic promotion efforts for local consumers by the Japan Food Products Overseas Promotion Center (JFOODO). JETRO has also provided opportunities for Japanese businesses to meet with overseas buyers by exhibiting in the Japan Pavilion at overseas trade fairs, holding business meetings in Japan and overseas, and setting up showrooms. JFOODO conducts strategic promotions by product and country region in overseas locations. In FY2023, JFOODO conducted promotions targeting wagyu beef (US and Europe), Japanese tea (US and Europe), fishery products (Taiwan, Hong Kong, US), Japanese sake (China, US, Hong Kong, Singapore), authentic shochu (US), and rice (Hong Kong, Singapore) and others were promoted.

(iv) Disseminating information overseas

The Ministry of Foreign Affairs of Japan (MOFA) has been introducing the diverse attractiveness of Japan through its overseas diplomatic establishments around the world, and at JAPAN HOUSE²⁴ has been disseminating information on Japan's diverse attractiveness, encompassing everything from traditional culture to pop culture, Japanese food, and Japanese sake. In addition, through the Japan Foundation, MOFA is working with overseas diplomatic establishments to provide a wide variety of performances and exhibitions related to Japanese culture, screen and distribute Japanese films and television programs, while enhancing Japanese-language education.

²⁴ In the MOFA, business offices were opened in London, Los Angeles, and Sao Paulo from 2017 to 2018, where activities are being undertaken to broaden the scope of deep understanding and empathy for Japan by expressing and disseminating Japan's attractiveness.

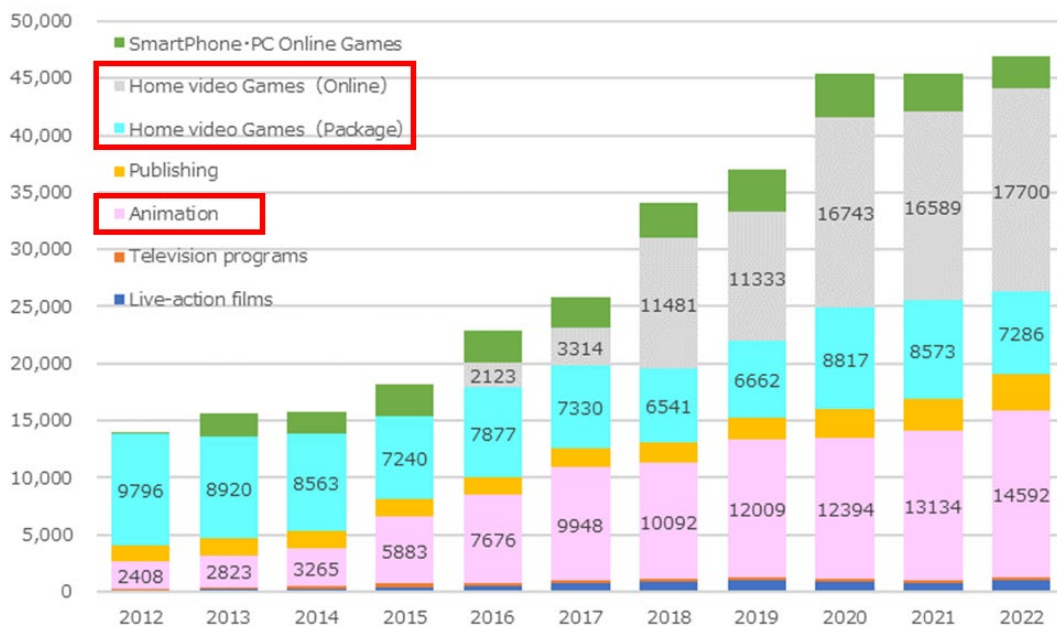


【Figure 1: Structure for Promotion of Cool Japan Strategy】

(2) Progress and achievements

(i) Overseas development of content

The market scale of Japanese content sales overseas has been expanding, centered on animation and games, reaching 4.7 trillion yen (in 2022) (compared to 2012 [1.4 trillion yen]: approximately 3.3 times)²⁵. This is comparable to the steel industry and nearly as large as the semiconductor industry in terms of overseas expansion²⁶ (export value).



²⁵ Refer to the previous note (8)

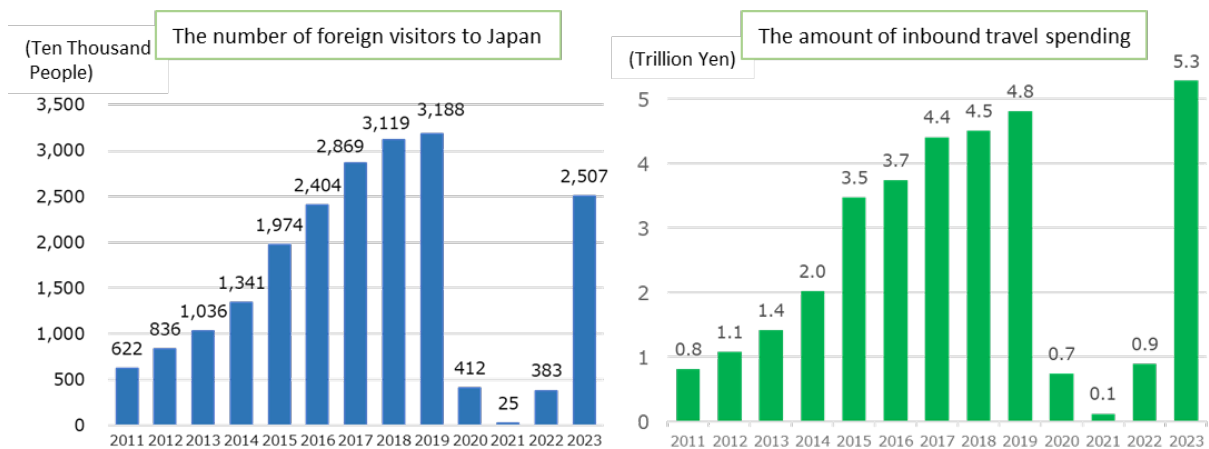
²⁶ Refer to the previous note (7)

(Source) Compiled based on “Japan and Global Media × Content Market Database 2023”
(Human Media Co., Ltd.)

【Figure 2: Overseas market size of Japanese content and breakdown by genre】

(ii) Inbound incentives

The number of foreign visitors to Japan continued to increase until before the COVID-19 pandemic, reaching 31.88 million (2019) (compared to 2012 [8.36 million]: 3.8 times), however, during the COVID-19 pandemic, the number of foreign visitors declined sharply. Currently, the number of foreign visitors is recovering steadily from the COVID-19 pandemic, standing at 25.07 million (in 2023)²⁷. The amount of inbound travel spending reached a record high of 5,306.5 billion yen in 2023 (compared to 2012 [1,086.1 billion yen]: approximately 4.9 times)²⁸.



(Source) Compiled based on “Statistics on Foreign Visitors to Japan” (Japan National Tourism Organization (JNTO)) and “Survey on Consumption Trends of Foreign Visitors to Japan” (JTA)

【Figure 3 Number of foreign visitors to Japan and amount spent by foreign visitors】

(iii) Export of agricultural, forestry and fishery products and food

The export value of agricultural, forestry and fishery products and food has been increasing for 11 consecutive years, reaching a record high of 1,454.1 billion yen (in 2023) (compared to 2012 [449.7 billion yen]: approximately 3.2 times)²⁹. The export value³⁰ of Japanese alcoholic beverages is on the rise, reaching 134.4 billion yen (in 2023) (compared to 2012 [20.7 billion yen]: approximately 6.5 times)³¹.

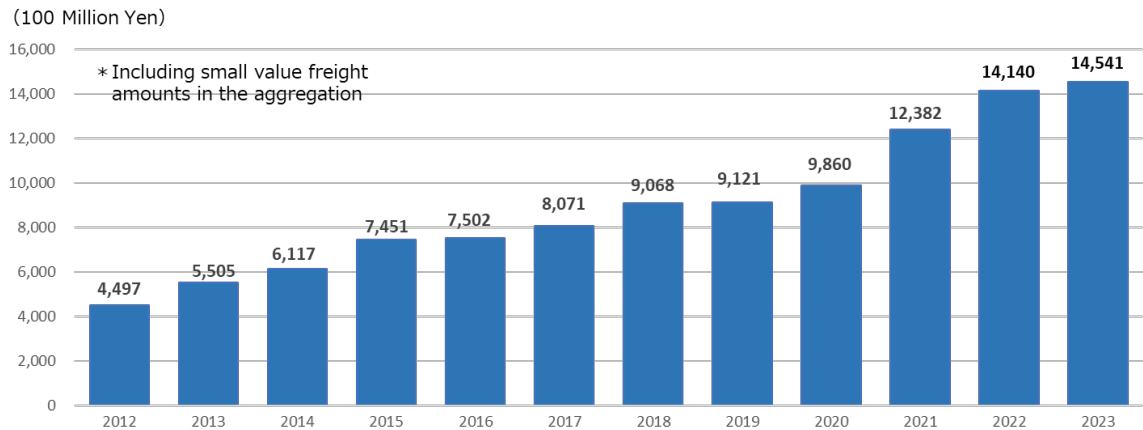
²⁷ Based on Japan National Tourism Organization (JNTO) press release (January 17, 2024).

²⁸ Based on the Survey of Trends in Foreign Visitor Spending in Japan (JTA) (Figures for 2020 to 2022 are estimates).

²⁹ Based on data from the Ministry of Agriculture, Forestry and Fisheries (compiled from “Trade Statistics” [MOF]).

³⁰ The figures are included in the export value of agricultural, forestry and fishery products and food.

³¹ Based on “Recent Trends in Exports of Japanese Alcoholic Beverages” (National Tax Agency).

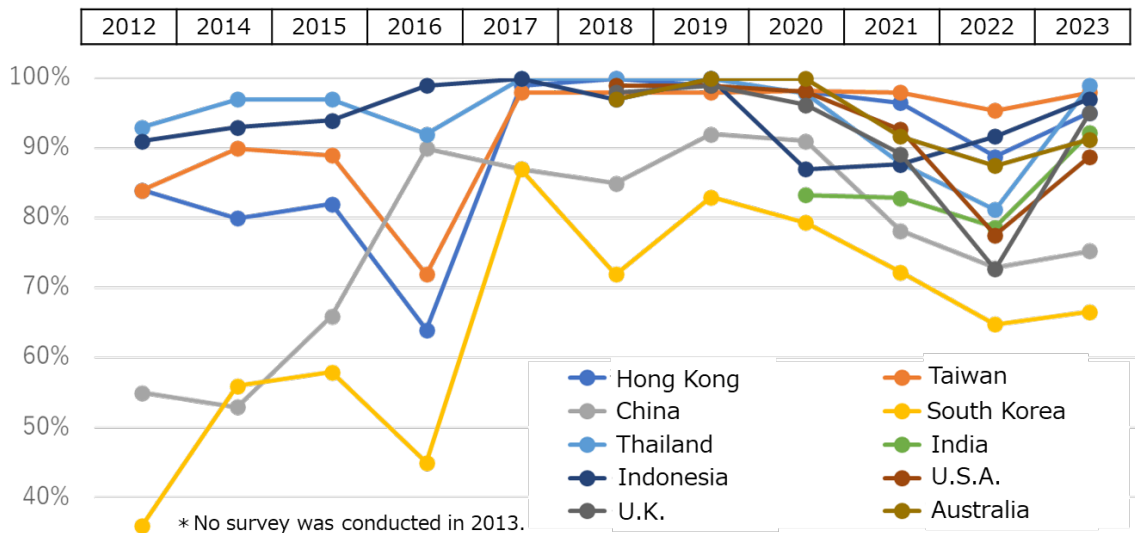


(Source) Compiled based on Ministry of Agriculture, Forestry and Fisheries data (“Trade Statistics” [MOF])

【Figure 4: Export of agricultural, forestry and fishery products and food】

(iv) Brand images³²

In terms of favorable perception of Japan (“I love” and “like” percentages [total]), the percentage exceeds 90% in many countries/regions (in 2023). Japan has consistently ranked first among Asian residents since 2012 as the country/region they would like to travel to next, and in recent years, Japan has also ranked high among residents of Europe, the U.S., and Australia (No. 1 in 2020ⁱ, 2021, and 2023). In the Travel and Tourism Development Index, Japan was ranked in the top 10 for the first time in 2015 and ranked first in 2021. In surveys on Nation Brand Indicators, Japan generally received high marks.



(Source) Based on “Basic Survey Analysis and Hypothesis Proposal for the Formulation of Cool Japan Strategy KGI/KPI” (Cabinet Office) (Based on “Survey on the Degree of Friendliness of 12 Countries around the World” [AUN Consulting Co., Ltd.]

【Figure 5: Favorability of Japan (Percentage of “love” and “like” [total]by country/region)】

³² Based on “Basic Survey Analysis and Hypothesis Proposal for the Formulation of Cool Japan Strategy KGI/KPI” (Cabinet Office).

Although it is difficult to analyze the direct relationship between these results and various policies and government initiatives, it is considered that, overall, a certain degree of success has been achieved.

In addition to the above efforts, concerned government ministries have been working to improve the environment for promoting the Cool Japan Strategy through the establishment and revision of systems, for instance, as shown below.

- With regard to content, through successive revisions of the Copyright Act (Act No. 48 of 1970), the creation, appropriate protection, and utilization of content have been promoted, along with the promotion of the content industry.
 - The 2018 amendment to the Copyright Act established flexible rights limitation provisions³³ to accommodate the progress of digitization and networking, as well as rights limitation provisions related to the promotion of the utilization of archives.
 - Considering the increasing severe damage caused by piracy on the Internet, the Copyright Law was revised in 2020 to strengthen anti-piracy measures, including measures against leech sites and illegal downloading of infringing content.
 - From the perspective of improving convenience for viewers of broadcast programs and promoting the content industry, the Copyright Law was revised in 2021 to achieve the same smooth rights handling as for broadcasting, including the facilitation of rights handling for the simultaneous distribution of broadcast programs on the Internet.
 - The 2023 amendment to the Copyright Act established an arbitrage system for the use of unmanaged published works and other works, and established a mechanism to encourage the lawful use of works that are difficult to use with permission, returning the compensation generated to copyright holders and other parties³⁴.
- As for inbound tourism, in response to the growing need for travel products that emphasize the experience and exchange of unique regional cultures and industries (so-called regional experience and exchange-type travel products) by foreign visitors staying in Japan for long periods of time and an increasing number of repeat visitors, the Travel Agency Act (Act No. 239 of 1952) was revised in 2017, and reviewed efforts to promote the planning and sales of experience- and exchange-oriented travel products that take advantage of regional tourism resources and attractiveness.
- With regard to exports of agricultural, forestry and fishery products and food, based on the Act on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food (Act No. 57 of 2027) enacted in 2019, the government has been working together to facilitate export efforts by establishing a system to discuss regulations with countries and regions to which exports are exported. In addition, based on the Act on the Protection of Names of Specific Agricultural,

³³ It refers to a provision that limits the rights of copyright holders and stipulates exceptional situations in which copyrighted works may be used without the permission of the copyright holders.

³⁴ It is currently being prepared, mainly by the Agency for Cultural Affairs, toward its full implementation around the spring of 2026.

Forestry and Fishery Products and Foodstuffs (Act No. 84 of 2014) enacted in 2014, a Geographical Indication (GI) protection system³⁵ has been introduced to promote branding and export of agricultural, forestry and fishery products and food and others.

(3) Challenges

For further promotion of the Cool Japan Strategy, there are challenges as listed below in terms of lack of PDCA cycle, structure, business model, and human resources.

(i) Lack of PDCA (Plan, Do, Check, Act) cycle

For initiatives in individual areas such as overseas development of contents, inbound attraction, and export of agriculture, forestry and fishery products and food, etc., actual performance values can be quantified and progress can be managed, however, some targets have not actually been set.

KGI/KPI for Cool Japan overall, including the image of Japan as a soft power, which is influenced by subjective factors, and the degree of penetration of “Japan fans,” has not been set. It is not clear what kind of data should be captured for progress management.

Therefore, although certain evaluations can be made for each individual field or talked about on an episodic basis, it is difficult to manage progress and evaluate the results of Cool Japan as a whole, particularly quantitatively, and it is difficult to say that the PDCA cycle is being properly implemented.

(ii) Challenges in the system

○ Insufficient efforts in sectoral and cross- disciplinary cooperation

In recent years, the full-fledged popularity of Japanese anime and other animation in the world has increased the effectiveness of collaboration with other fields. It is considered effective to use “anime/manga” and “food,” which are of high interest to foreigners, as a gateway and starting point for attracting inbound tourism and promoting exports of agricultural, forestry and fishery products and food. In fact, JFOODO has begun such efforts, resulting in positive results³⁶.

However, efforts to coordinate and cross- disciplinary approaches, or to collect, analyze, and share information on the local situation overseas have been limited and have not always been sufficient. In addition, these sector-linked and cross-disciplinary efforts are expected to be voluntary cooperation of related entities, and often do not receive appropriate compensation, therefore lacking in sustainability.

³⁵ The Geographical Indication (GI) system of protection for alcoholic beverages is operated through a public notice (National Tax Agency Public Notice No. 19, October 30, 2015) based on the Act on Securing of Liquor Tax and on Liquor Business Associations (Law No. 7, 1953).

³⁶ For instance, JFOODO exhibited a booth at an anime event in Los Angeles, USA, in January 2024, and provided visitors with the opportunity to try Japanese food. In a survey of booth visitors, about three-quarters (74%) said that they “wanted to eat Japanese food after watching an anime in which Japanese food appeared,” suggesting that Japanese anime has the power to arouse interest in Japanese food and Japanese food leading to the experience of eating them.

- Lack of intelligence functions

Since Cool Japan is targeted at end-consumers, to promote further overseas development, it is necessary to conduct research and analysis (needs and market analysis) on the actual consumption conditions in countries and regions around the world, what is being demanded, the reasons for such needs, how to promote Japan's attractiveness, and how to promote Japan's content to the world, which will lead to overseas development, attracting inbound tourists, and increasing exports of agricultural, forestry and fishery products and food, and so on³⁷. Simultaneously, the matching function with local players and other entities will be important to ensure the appropriate provision of products and services that meet local needs.

When conducting such research and analysis, it is also important to understand the past history of when and through what process the attractiveness of Japan, including anime, manga, and other content, expanded in each country/region.

Currently, however, it is difficult to say that such an “intelligence” function has been sufficiently developed.

- Few proprietary platforms

In developing demand for content and other Cool Japan-related fields, it is important to ensure appropriate distribution channels.

For instance, with subscription business models for video and music distribution becoming mainstream in the content field, global content distribution channels are becoming increasingly important, but distribution platforms are heavily dependent on major overseas operators without their own global distribution channels making it difficult for them to strategically cultivate overseas demand based on their own judgment. In the future, it will become more important for them to create their own distribution channels or to secure “slots” in existing distribution channels through equity participation or other means and collaborate with them to proactively utilize existing distribution channels³⁸.

To ensure these domestic and international distribution channels, Cool Japan Fund Inc. has been investing in various platform projects. Specifically, investments have been made in locations such as retail outlets, digital platforms, and wholesale supply chains to serve as “bridge-heads” for domestic businesses to cultivate demand from local consumers overseas. These efforts have contributed to the branding and demand development of local products in Europe and the development of demand for Japanese sake in China, resulting in a ripple effect, a priming effect, and other overall policy benefits³⁹.

³⁷ Analyzing past cases of both successes and failures is considered effective for future efforts.

³⁸ For instance, Sony Group Inc. acquired Crunchyroll, an American animation distribution platform, in 2021 to promote its overseas expansion, indicating that some of them are making efforts through their own distribution channels.

³⁹ The number of companies that have utilized the services of the investee companies is 5,220, 77, companies have engaged in business matching as a way to increase the value of the investee companies, and the ratio of funds disbursed from the private sector, triggered by ETIC's investment, is 2.1x (all as of March 31, 2023), a level well above the milestone.

On the other hand, some of the organization's targets were not achieved, resulting in a cumulative loss of 35.6 billion yen (at the end of March, 2023). This is due to structural problems, such as the fact that personnel costs, taxes, and other operating costs have accounted for almost half of the total accumulated operating costs over the past 10 years of the organization's operation, as well as the sale of shares in investment projects and the recording of impairment losses. Currently, although the accumulated loss is approximately 800 million yen higher than the target amount (36.3 billion yen deficit) in the revised plan formulated in November 2022, it is required to closely monitor the progress⁴⁰ toward eliminating the accumulated loss in the future as the organization moves forward with its management improvement efforts⁴¹.

Although Cool Japan Inc. has issues to improve in terms of profitability, as mentioned above, it is further critical to create and secure global distribution channels while achieving “leverage” through investments and other means. It is necessary to take steps to maximize policy effects, including cooperation with related institutions, while monitoring the progress of the Organization's achievement of its policy and profitability goals.

(iii) Challenges in the business model

- The content area is mainly for the domestic market

In the content field, although overseas expansion has progressed, particularly in animation and home video games, the Japanese market has been of a reasonable size, and as a result, business models based on the domestic market as a whole have been the mainstay of business models, with limited business models based on overseas expansion. However, as the population continues to decline, the domestic content market is not expected to grow significantly in the future, making it important to capture the overseas market, which is expected to grow in the future⁴².

In the music field, it is undeniable that Japan is lagging behind in digitalization and DX, including a delayed response to streaming distribution, which has become mainstream

⁴⁰ The financial values as of the end of March 2024 are expected to be announced in late June of the same year.

⁴¹ In accordance with the support criteria, the Organization invests in projects that have policy objectives of acquiring overseas demand, spillover effects, and the probability of profit security, and that require medium- to long-term risk money that cannot be sufficiently raised by the private sector alone. Under this basic concept, and based on the evaluation of past investment projects, they have decided on the direction of future investment based on the realization of policy objectives, and in order to build a portfolio that takes profitability into consideration, they have identified the following main investment targets: (1) Businesses that have a business base overseas and contribute to developing local demand for Japanese lifestyle and cultural industries, (2) businesses that develop overseas demand based on a stable revenue base, and (3) businesses that have a solid technological foundation and develop overseas demand.

In addition, there is an opinion that the quantity and quality of future investment is important and should be addressed without atrophy, based on the recognition that the overseas development, and other business activities in Cool Japan-related fields are booming and that a great opportunity has arrived.

⁴² According to the “Entertainment Contents ∞ 2023 Reference Materials” (Japan Economic Federation), Japan has the lowest average annual growth rate of entertainment and media revenues from 2021 to 2025.

(Based on “Entertainment Contents ∞ 2023 Reference Materials,” Japan Economic Federation [general incorporated association]).

internationally. It is important to improve “processes” and “methods” while maintaining Japan's outstanding creativity.

To achieve full-fledged overseas expansion, digitization, and DX on an international level is essential. Furthermore, as an issue that must be addressed on a sustained basis in each genre: not only music, but also animation, manga, and live-action video, the business model, business practices, and production methods that were used when analog was the premise must be reviewed, and compliance with international standards and improvement of the working environment (e.g., elimination of long working hours and improvement of exploitation) will be required.

In the field of visual content, including animation and live action, there is an opinion that Japan should aim to become a production hub for global platform video content in Japan, which is expected to attract excellent human resources from both Japan and abroad.

In addition, in the field of content, since the damage caused by piracy is expanding globally and the situation is critical, strengthening measures against piracy⁴³ is essential for capturing overseas markets.

- Reinvestment ecosystem is not formed

The shift from “selling products” to “selling experiences” has been pointed out as an important means of adding high value, but an ecosystem has not yet been formed in which high profits are generated by providing experience value, which is then appropriately distributed and returned to the various stakeholders, who then reinvest in the business.

In the live-action film field, production costs have been reduced due to the fact that productions (especially film productions) were mainly based on the assumption of the domestic market and the multiple subcontracting structures, and there have been many cases where sufficient profits were not distributed to creators and staff, thus leaving little room for reinvestment in the next production.

In the inbound tourism industry, while foreign visitors to Japan have been purchasing large quantities of daily necessities (so-called “Bakugai”), service providers have not been able to price their services to foreign visitors based on their value, frequently offering services at “reasonable” prices, which are built up from cost. As a result, it has been pointed out that the service is not sufficiently profitable to earn foreign currency at a high-profit margin. While the average spending by foreign visitors to Japan is rising⁴⁴ amid the current recovery in inbound tourism⁴⁵, and some tourist attractions and services have been priced based on the assumption

⁴³ Various types of content such as animation, manga, movies, and music are distributed across national borders. Copyright Infringement content that has been copied without permission and made available without paying legitimate compensation to the rights holder is so-called “piracy” content.

⁴⁴ Travel expenditures per foreign visitor (general visitor) to Japan are estimated to be 213,000 yen (+34.2% over 2019) (in 2023). (Based on the Survey of Foreign Visitor Consumption Trends.)

⁴⁵ For instance, a private home stay using an old private house in the town of Taiki, Mie Prefecture, was changed to a farm-to-table concept by allowing guests to pick garland chrysanthemum and mushrooms in a field next to the old house and by setting a theme allowing them to meet local residents, thereby tripling the price of the stay. This has

of foreign visitors, it is necessary to provide high experience value in all regions of Japan and all related fields to generate profits at prices based on international standards, enabling further reinvestment of those profits.

In particular, it is important to develop and provide services for deep Japan fans who seek deep “experience value,” as well as to focus on providing luxury value for high value-added travelers.

However, it has been pointed out that in many regions, digitization and DX efforts are lagging significantly behind and lack the ability to disseminate information. For instance, paper tourism pamphlets are still the mainstream, information on websites and social networking services is not properly updated (e.g., infrequent updates, broken links), and the digitization of event information and ticket sales for live events and other events, as well as real-time subtitles onsite and other services have not been enhanced enough to attract inbound visitors. Therefore, it is necessary to work on the basic issues such as improving UI/UX⁴⁶ and convenience.

Furthermore, it is important to provide high value-added services and products by “asserting” experience value through the use of new technologies such as blockchain/Web3 and NFT.

In this way, it is necessary to overcome various challenges in order to provide high experience value and generate revenue at prices based on international standards, thus the efforts of new entrants will be crucial. A mechanism to promote new entrants, regardless of whether they are domestic or foreign capital, must be established.

- Japan's attractiveness has not fully been reached overseas

Cool Japan refers to the “attractiveness” of Japan that is (including potential items) considered “cool” worldwide, and even if Japanese people do not consider something to be cool, it is considered Cool Japan when people around the world consider it to be cool⁴⁷. To convey Japan's attractiveness to the world, it is necessary to take a market-in approach, starting from the global perspective, and effectively disseminate the information.

In the activities of the Cool Japan Public-Private Partnership Platform, efforts have been made to unearth and hone the attractiveness of local regions, however, many of the initiatives are basically shared among domestic stakeholders for horizontal development, thus many of the results are not directly delivered to overseas markets.

The government as a whole has been disseminating various aspects of Japan's attractiveness through international PR, overseas diplomatic establishments, JAPAN HOUSE, various exhibitions and events, etc. However, it is difficult to say that strategic efforts, including dissemination and diffusion through social networking services, have been sufficiently effective.

made it possible to triple the price of a farm-to-table tour, which is gaining popularity in the U.S. as a plan for a visit to Japan. Furthermore, through bridging the gap between local food culture and places where visitors can get in touch with local residents, this has led to the formation of an ecosystem in which foreigners who have not visited the region before can visit the region.

⁴⁶ UI stands for User Interface and UX for User Experience. In recent years, the use of AI has enabled simplified approaches to multilingualization, and so on.

⁴⁷ Refer to “Cool Japan Strategy,” (September 3, 2019, Intellectual Property Strategy Headquarters).

Also, some have pointed out that “top sales” activities by government leaders using anime and manga characters, which have now become highly influential, are also important as symbolic activities with great potential for effect.

Live entertainment and other forms of entertainment need to foster an enthusiastic fan community through the experience of performing overseas, but overseas performances themselves are high-risk, making it a high hurdle for operators.

Naturally, there are limits to the extent to which the government can disseminate information, therefore, it is important to disseminate and spread information through private-sector “Japan fans” in Japan and abroad; however, it has been pointed out that these overseas events are not sufficiently linked to the efforts of the Japanese side.

(iv) Challenges in human resources

- Insufficient environment for creators to engage in activities

The competitiveness of Japanese content is based on the activities of many diverse creators. It is essential that new creators be discovered and nurtured, and that they be able to operate in a competitive environment that includes the distribution of appropriate revenues and the ability for creators to select various distribution channels at their own discretion.

Although it is said that the environment in which creators operate has been improving in recent years, the transition to a system that can respond to the digital age has not yet been fully completed.

In addition, particularly in genres such as manga, music, and indie games, where creators are becoming more individualistic, it is important to have a supportive environment for legal, accounting, and promotional activities so that creators can continue their activities independently; however, it is difficult to say that this environment has been sufficiently established⁴⁸.

- Lack of business producers and other human resources

Cool Japan in general and in the field of content in particular lacks producers who can link it to overseas business. In the area of unearthing and honing the attractiveness of local regions, there are some excellent cases; however, there is a lack of human resources to produce products that take advantage of the potential of nature, culture, traditions and other aspects of the local region.

Particularly in regional areas, digitalization and DX initiatives are not necessarily sufficient, making it important to foster digitalization and DX human resources. Furthermore, some have pointed out that there is a lack of guides who can appropriately convey the attractiveness of Japan as a story; with the expected expansion of inbound tourism in the future, the training of guides is an urgent issue.

⁴⁸ In this regard, it has been pointed out that self-management skills (basic related knowledge) of creators and producers themselves are important, as well as support from experts.

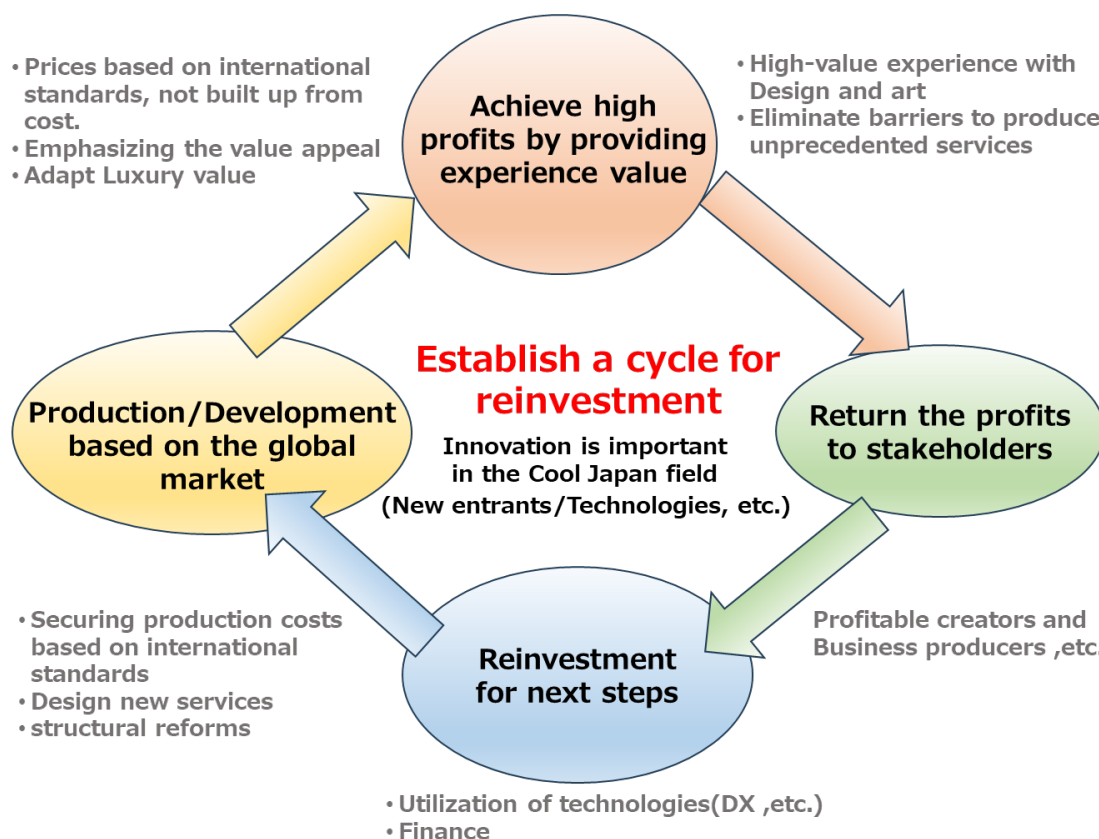
4. Vision for a New Cool Japan Strategy

With more than four years having passed since the formulation of the Cool Japan Strategy and the transition to a new phase, we will strongly pursue new initiatives to strengthen competitiveness and achieve high economic growth as a key industry, enhance soft power by utilizing content, promote digitization and DX, support creators and realize appropriate compensation, and create an ecosystem where sufficient funds can be reinvested, based on the vision listed below.

(1) Cool Japan to establish an ecosystem for reinvestment based on the global market

Along with the deepening of Japan fans, we will not only expand quantitatively, but also change to a high value-added structure that generates high profits through the provision of experiential value and other factors. In addition, as Japan's population declines, the importance of economic growth and foreign currency acquisition through overseas expansion of content, agricultural, forestry and fishery products and food, as well as the importance of economic growth and foreign currency acquisition through expansion of inbound travel is increasing.

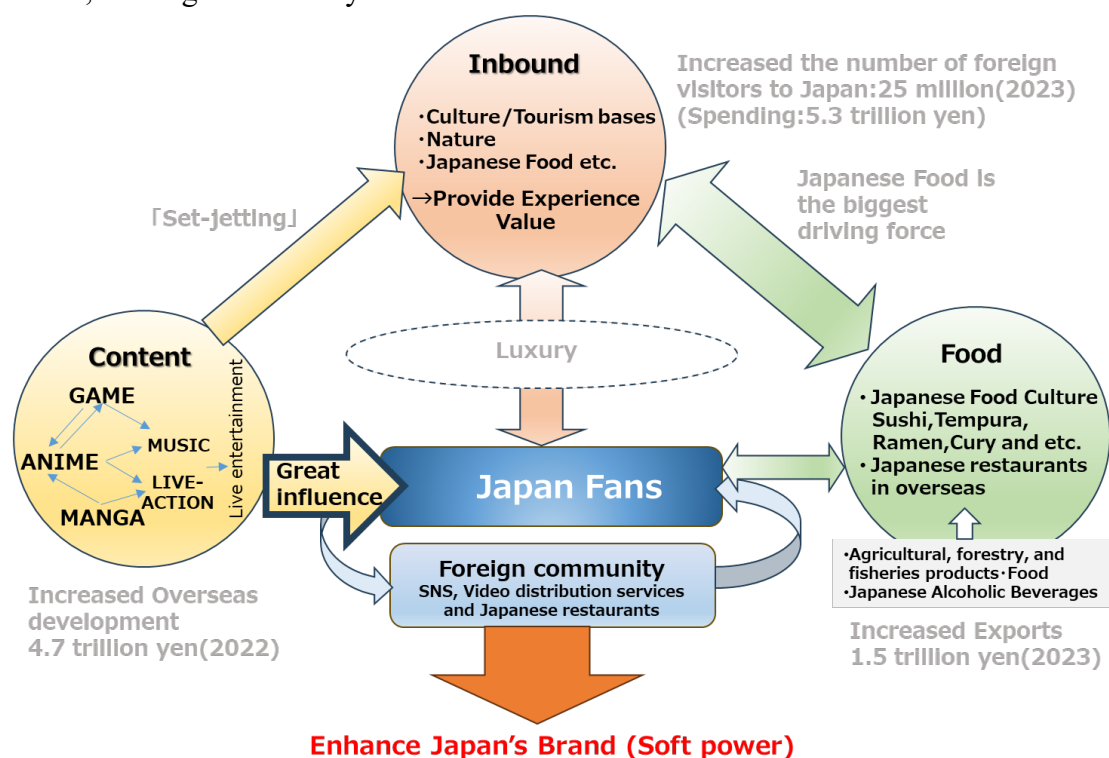
By positioning these content and agriculture, forestry and fishery products and food and other Cool Japan-related fields, especially inbound tourism, as key industries, we will enhance our international competitiveness in order to capture the world's markets. An ecosystem will be formed in which foreign currency is earned on an international level and then reinvested.



(2) Cool Japan raises brand value through turning a virtuous circle

Content such as anime and manga raise Japan's brand image upfront, and content and food play

a central role in driving inbound tourism, which further expands into the popularity of various attractiveness, creating a virtuous cycle that raises the brand value.



Simultaneously, as the international political and economic situation becomes unstable, increasing the number of Japan fans in the world is also important from the perspective of security. In addition to increasing the number of Japan fans around the world, we will work to enhance the brand value of Japan so that the people who make political and economic decisions and have influence in countries and regions around the world will also become Japan fans, making Japan an indispensable presence in the international community.

(3) Cool Japan to grow with creators and other leaders

Cool Japan consists of various activities by creators, producers, and business operators in each field and region. To ensure the sustainability of Cool Japan, we will nurture creators and leaders as well as develop an environment that supports their activities.

Creators and leaders are not limited to Japanese nationals, rather, globalization and diversification of “individuals” will be promoted, including active use of foreign nationals. Many foreign nationals already manage restaurants⁴⁹ serving Japanese food overseas, and some are involved in efforts to pass on Japanese traditions and culture, such as manufacturing and selling soy sauce. Furthermore, just as Japanese chefs who went to France to learn French cuisine have returned to Japan and contributed to the diffusion of French cuisine, foreign nationals who come to Japan to work or train should be welcomed to contribute to the promotion of Japan's attractiveness in their home countries after returning to their home countries. In this way, we will utilize the foreign community and expand the activities of foreign nationals who play a role in disseminating the attractiveness of Japan

⁴⁹ The number of Japanese restaurants overseas is estimated to be approximately 187,000 (in 2023). (Based on the “Survey of the Number of Japanese Restaurants Abroad,” [MAFF].)

in foreign countries.

5. Basic direction of the New Cool Japan Strategy

(1) Enhancing international competitiveness as a key industry

The New Cool Japan Strategy will position Cool Japan-related fields as key industries, enhancing their international competitiveness and promoting further overseas expansion.

To achieve this, as the provision of content through distribution platforms, particularly video and music, becomes mainstream around the world, we will be able to accurately grasp market needs and provide services by reforming our business model and promoting structural reform of the industry overall. Innovation⁵⁰ is the key to achieving this, therefore, we will create an ecosystem in which young creators and startups can play an active role, as well as build a mechanism to encourage new entrants.

In the content field in particular, we will promote digitization and DX based on international standards, ensure compliance, and develop a production environment that is comparable to other countries and regions, as well as an attractive working environment for talented individuals⁵¹.

(2) Achieving high profits by emphasizing on the experience value rather than the product itself

The New Cool Japan Strategy will advance efforts focusing not only on quantitative and areal expansion, but also on qualitative aspects such as obtaining foreign currency on an international level through high value-added efforts and appealing to the decision-making and affluent classes about the attractiveness of Japan⁵².

In efforts to add value, “selling experiences (experience value)” is more important than simply “selling goods,” and value-added experience values such as “sustainable,” “authentic,” and “transformative” will be created. In addition, among foreign visitors, there is a range from those who have never heard of Japan to those who are deep fans of Japan, therefore, we will provide promotions and services suitable for each level.

(3) Publicizing strategically by enhancing intelligence functions

For instance, a product that sells well in the U.S. may not necessarily sell well in Southeast Asia. Similarly, in the U.S., a product that is selling well now may not necessarily sell well in the future.

To develop content overseas, export agricultural, forestry and fishery products and food, and attract inbound tourism, it is essential to conduct detailed research and analysis of what is being sought in each country and region of the world, as well as the demographics (e.g., age and gender)

⁵⁰ The term here does not refer only technology, but is used as a broad concept that includes the creation of new IP, reform of production methods and processes, and the creation of new business models.

⁵¹ To compete or collaborate with overseas production and distribution companies in overseas markets, not only the creativity of works, but also production methods (e.g., digitization), production environment, and labor environment based on international standards are required.

⁵² For instance, there is an opinion that drawing Japanese animation and manga characters (IP) on government planes used for visiting heads of state and government officials could be a powerful way of appealing to people around the world.

of the people living there, and what kind of information will attract their interest and attention. Thus, we will strategically invest resources in this area. Furthermore, to provide products, services, and information appropriately to meet the needs of the overseas market, we will develop and expand sales channels by matching with local players and other entities.

In the New Cool Japan Strategy, the industry, academia, and government will work together under an all-Japan structure to develop a base and system to fulfill the intelligence function, as well as to conduct strategic public relations, including communications tailored to the level of “Japan fans” in each country and region, leading to the formation of a fan community. Since the market is constantly changing, the intelligence function is required to respond flexibly to market changes.

(4) Expanding the crossover of the sector collaboration

The fields of “anime/manga,” “food,” and “inbound tourism” have the potential to create significant synergies when combined with other fields.

In past efforts related to Cool Japan, we have worked on cross-disciplinary and cross-sectoral cooperation, such as “a virtuous cycle of exports and inbound tourism” and “establishment of new business models utilizing digital technology”⁵³. In addition, an increasing number of foreign tourists⁵⁴ are visiting places that have appeared in anime, manga, movies, and TV dramas, as well as the birthplaces of their creators, and Japanese food, culture, fashion, and other items that appear in anime have become popular overseas⁵⁵.

The new Cool Japan Strategy will expand cross-disciplinary and cross-sectoral efforts centered on these fields, such as the dissemination and promotion of “anime/manga” and “food” as a gateway and starting point.

(5) Rotating the PDCA cycle at high speed with a data-driven approach

The new Cool Japan Strategy will not only manage progress in individual fields, but also promote data-based Cool Japan initiatives by setting KGI/KPI to improve brand value, such as increasing the number of Japanese fans and strengthening soft power.

Specifically, the following items will be defined as Key Goal Indicators (KGI), which will be implemented toward the achievement of the KGI.

- The economic impact of Cool Japan-related industries, such as the overseas development of content, inbound travel (consumption by foreign visitors to Japan), overseas development of agricultural, forestry and fishery products and food, and overseas development of fashion, cosmetics, and other items will be 50 trillion yen or more by 2033. For reference, the interim target is to achieve a scale of 30 trillion yen or more by 2028. [Reference] Actual results in each field

⁵³ For instance, there are initiatives such as farm stay and sake brewery tourism. Furthermore, initiatives are underway to link experiences in the metaverse space to real-life sales of goods and services.

⁵⁴ Refer to the previous note (10).

⁵⁵ For instance, ramen is the second most popular Japanese food known in Japan at 48.5% (after sushi), (according to the “Survey on Japanese Food from the Perspective of Foreign Visitors to Japan” [April 2023] [The Norinchukin Bank].) Some people say that ramen was featured in Japanese anime and that this has influenced the global ramen boom.

used as a reference in setting KGIs for economic impact⁵⁶

	(Reference) Actual results
Overseas expansion of content	(4.7 trillion yen [2022])
Foreign visitors spending on travel to Japan	(5.3 trillion yen [2023])
Export value of agricultural, forestry fishery products and food	(1.5 trillion yen [2023])
Overseas sales of major food manufacturers	(3.5 trillion yen [2022])
Fashion exports	(0.9 trillion yen [2022])
Overseas sales of major fashion manufacturers	(1.4 trillion yen [2022])
Export of cosmetics	(0.8 trillion yen [2022])
Overseas sales of major cosmetics manufacturers	(1.1 trillion yen [2022])

- Toward the expansion of Japan fans, the percentage of “I love Japan” in each country/region will be increased by 10 percentage points by 2033⁵⁷. For reference, the interim target is a 5-point increase by 2028.

[Reference] Percentage of “I love Japan” in each country/region (2021)

• Hong Kong : 63.4%	• Thailand : 45.6%	• U.K. : 27.7%
• Taiwan : 63.4%	• Indonesia : 30.4%	• China : 24.5%
• Malaysia : 54.5%	• U.S.A. : 32.5%	• South Korea : 23.5%
• Australia : 51.0%		

(Source) “Survey on the Degree of Friendliness of Japan in 12 Countries around the World” (AUN Consulting Co., Ltd.)

To achieve these goals, the following three key performance indicators (KPIs) will be established and monitored.

- Ratio of experience of Japan's attractiveness
 - Experience of Japanese contents: Animation, Manga, etc.
 - Experience of Japanese food/purchase of Japanese food products
 - Purchase of products from Japanese companies
- Percentage of those who increased their intention to visit Japan as a result of the above experiences
- Ratio of those who became “like Japan” as a result of the above experiences

⁵⁶ The government has set targets to be achieved by 2030 for the value of inbound foreign tourist spending and the value of exports of agricultural, forestry and fishery products and food, respectively (the former: 15 trillion yen, the latter: 5 trillion yen).

⁵⁷ The Cabinet Office has decided to conduct its own survey and follow-up from FY2024, and plans to use the results of the FY2024 survey as the basis for this KGI.

II Specific initiatives

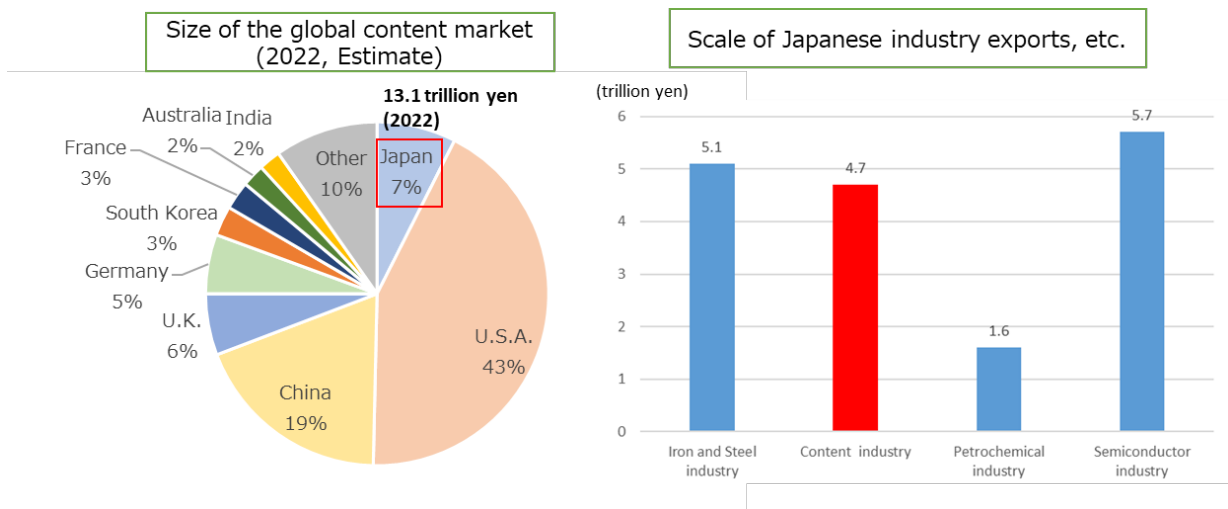
II— (i) Content

1. Current situation

The scale of the Japanese content industry is 13.1 trillion yen (in 2022), and its overseas development is increasing year by year, mainly in the animation and game (home-use) industries, to 4.7 trillion yen (in 2022), which is comparable to the steel industry with a scale approaching that of the semiconductor industry⁵⁸.

In recent years, content have played a very significant role as a “gateway” to arouse people's interest in Japan around the world, with Japanese anime and manga attracting many young people in general overseas. It is expected that Japan will further pursue overseas expansion by fully utilizing its IP and other intangible assets that it has cultivated to date.

Although no targets have been set for the overseas development of content at this time, we will set targets in the future and promote efforts while implementing the PDCA cycle.



(Source) The figure on the left (Size of the global content market) was compiled based on the “Japan and Global Media × Content Market Database 2023” (Human Media Co., Ltd.)

The figures on the right (Scale of Japanese industry exports, etc.) are based on the following sources and other information, respectively.

Iron and Steel Industry: Overview of Steel Imports and Exports (The Japan Iron and Steel Federation)

Content industry: Japan and Global Media×Content Market Database 2023” (Human Media Co., Ltd.)

Petrochemical industry (exports of petrochemical products by country): Interview with Japan Petrochemical Industry Association

Semiconductor Industry (Electronic components such as semiconductors): Trade Statistics [MOF]

【Figure 6: Scale of the global content market⁵⁹, etc.】

⁵⁸ Refer to the previous note (7) and (8).

⁵⁹ The scale of each country/region (percentage) is calculated by assuming that the total scale of the content market in each country/region in the “Japan and World Media × Content Market Database 2023” (Human Media Co., Ltd.) is assumed to be the scale of the global content market, and the percentage of the scale of the content market in each country/region to that scale is calculated.

In the world, the provision of content through distribution platforms has become mainstream, particularly for video and music, due to the advancement of digitalization; this has enabled a large number of people to access a wide variety of content and to act as creators on their own. With these changes, the global content market has expanded dramatically and is expected to continue to grow⁶⁰.

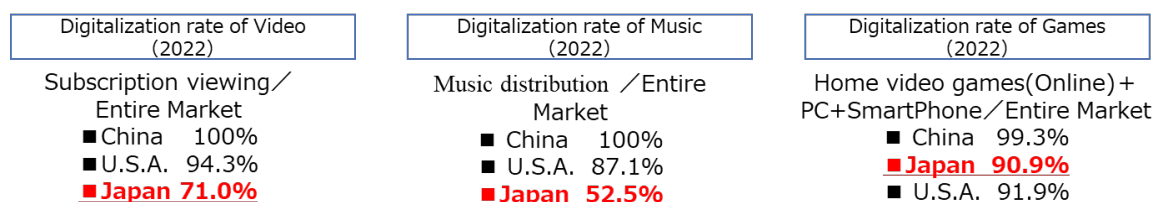
In recent years, secondary, tertiary, and ... (collectively referred to as “n-derivative works”) have been actively created by users. For instance, fan communities for virtual You Tuber (VTubers) have been formed around the world, and there have been cases where derivative works are distributed and shared within and among fan communities, leading to the overseas development of Japanese music. Such movements are expected to further expand in the future.

2. Common challenges associated with digitization

(1) Industrial structures and business practices that have not adapted to digitalization and DX

The content industry in Japan has been dominated by business models based on the domestic market and has been slow in digitization and DX initiatives, making it difficult to create new services, low productivity, and other issues related to industrial structure and business practices.

For instance, it has been pointed out that there is a lack of human resources to handle business development, advertising and sales promotion, technology, marketing, organizational management, and fundraising for overseas expansion, as well as an inability to establish their own distribution channels. It has also been pointed out that contracts are still based on the business model of the analog era, and that appropriate revenues are not being allocated to creators; it is inevitable that a review of the way contracts should be made to suit the digital era is required.



(Source) Compiled based on Document 1, Council of New Form of Capitalism Realization (26th Meeting) (April 17, 2024)

【Figure 7 Digitalization in the content industry】

- ◆ Points to keep in mind when developing human resources
 - The following points need to be taken into consideration when developing human resources to support the new content industry in the digital age.
 - Higher education institutions also have departments that include content⁶¹. There is also an option to study abroad to acquire skills.
 - On the other hand, looking to the future, it is essential to clarify the needs of industries in terms of what skills they lack and what kind of human resources they seek to foster in higher

⁶⁰ The global content market is expected to grow from approximately US\$1.1 trillion (approximately 149 trillion yen) in 2020 to approximately US\$1.3 trillion (approximately 183 trillion yen) by 2025. (Based on “Entertainment Contents ∞ 2023 Reference Materials,” Japan Economic Federation [general incorporated association]).

⁶¹ Tokyo University of the Arts, Japan Institute of the Moving Image, Nihon University, and others.

education. For instance, industries should clarify whether they seek creators, business producers, or personnel with the latest digital technology skills such as VFX and VR, and the skills they need. In addition, the response will differ depending on the type of skills sought, whether they are required of new graduates or those to be acquired through adult education.

- Given these considerations, it is critical to develop and enhance curricula in higher education, strengthening and enhancing human resource development in the content industry through dialogue between universities and other educational institutions and the industrial world.

(2) Profit distribution from digital platforms

In the platform-based content business, network effects generally work, making it a challenge for distributors and creators to ensure an equal relationship in relation to large-scale digital platforms (DPF).

The following issues need to be closely monitored to ensure that there are no major problems between the DPF and distribution companies or creators: whether revenue distribution is properly conducted, whether data such as the number of views, which is the premise for revenue distribution and future negotiations, is properly disclosed, whether negotiations regarding secondary use rights are properly conducted, whether there are no unilateral adverse changes, whether the “recommendation” algorithm is fair, and so on.

Furthermore, regarding how to appropriately distribute the revenue allocated from the DPF to the distributors among the parties concerned, it is necessary to closely monitor the appropriate compensation return and revenue distribution to creators and content holders.

◆ Government considerations related to platforms

The government is conducting various studies on platform-based business, as follows.

- Although transparency is mandated for app stores under the Digital Platform Transparency Act⁶², furthermore, the Fair Trade Commission has been discussing a legal system to ensure a competitive environment regarding the market for smartphone app stores and other markets, resulting in the submission of a draft law⁶³ to the National Diet (April 26, 2024).
- Regarding video distribution services, the Japan Fair Trade Commission conducted an evaluation of the state of competition in the market for video distribution services in its “Market Study Report on Connected TV and Video On-demand Service, etc.” (March 6, 2024).

According to this evaluation, the video distribution service market as a whole is not currently dominated by a specific operator or oligopoly, and the environment is competitive to a certain degree. However, due to competitive pressure from neighboring markets such as video-sharing services and the market entering a mature stage of its growth cycle, there is a

⁶² Act on Improving Transparency and Fairness of Digital Platforms (Tentative translation) (Act No. 38 of 2020).

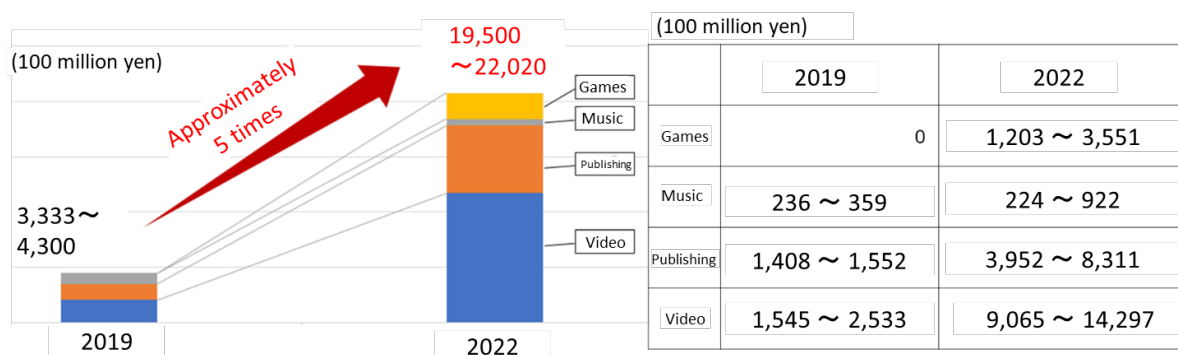
⁶³ Bill on the Promotion of Competition in Relation to Specified Software Used in Smartphones. (Tentative translation)

possibility that the market share of certain operators will become more concentrated as a result of a shakeout of services through business integration, etc. In such a case, it has been pointed out that the bargaining power of such operators may increase from the current level.

- The Policy Subcommittee of the Copyright Subdivision of the Culture Council of the Agency for Cultural Affairs summarizes and discusses issues from the viewpoints of transparency of transactions, appropriateness and fairness of compensation, and appropriate competitive relationships, while taking into consideration trends in various policies such as competition policy, and aspects such as the role played by digital platform services from the viewpoint of international harmonization and other aspects.
- In response to illegal and harmful information on the Internet, based on the “Third Summary of Study Group on Platform Services” (released in February 2024) by the MIC, the Act on the Provider Liability Limitation⁶⁴ was revised in May of the same year, requiring large-scale platform operators to respond more quickly to removals and make their operational status transparent.

(3) Critical piracy damage

Although the number of accesses to piracy sites of Japanese content (e.g., manga) for the domestic market is decreasing, the total number of monthly accesses to piracy sites translated into foreign languages (English and Vietnamese) is approximately 530 million times⁶⁵. Thus, the damage caused by overseas sites operated by foreign operators is expanding and becoming more serious.



(Source) Compiled based on data from the Japan Content Distribution Network for Overseas Promotion of Distribution (general incorporated association)

【Figure 8: Piracy (Online) Damage to Japanese Content (Estimated)】

⁶⁴ Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders (Act No. 137 of 2001). In May 2024, Act for Partial Amendment of the Act on the Limitation of Liability of Specified Telecommunications Service Providers for Damages and the Right to Demand Disclosure of Sender Identification Information (Act No. 25 of 2024. Tentative translation) was promulgated, incorporating the contents described in this document and changing the title to “Act on Dealing with Infringement of Rights Arising from the Distribution of Information via Specified Telecommunications” (Tentative translation) (abbreviated as “Information Distribution Platform Act”).

⁶⁵ Monthly accesses to the top 10 sites for the domestic market (for November 2023) decreased from about 400 million at its peak to less than 120 million. The number of accesses to sites with foreign language translations is for the 8 largest sites (mostly Vietnamese). (Based on ABJ research [general incorporated association]).

3. Issues by fields

(1) Games

Games are already expanding overseas and going digital, with overseas expansion, mainly for home video games, strong at about 2.8 trillion yen (in 2022).

However, with the recent addition of PCs along with consoles and mobile phones, the presence of foreign companies has been growing⁶⁶, particularly in mobile games, resulting in a relatively weak position for Japanese game publishers. In addition, the top sales are dominated by IP that has been on the market for a long time, making it an issue how to create new IP and game titles.

For this reason, it is essential to create new IP and strengthen the response to the PC game market; it is important to train creators who can create new IP and core concepts, as well as develop human resources who can work in the indie game market and other areas. Furthermore, game engines, which are expected to have ripple effects such as the development of XR and 3D images, should be deployed in other fields, thereby developing a business that integrates fields.

In overseas expansion, appropriate understanding of and response to regulations in each country (particularly, personal information protection, root box regulations [gacha regulations], and others) is necessary, which requires the strengthening and maintenance of the intelligence function.

(2) Animation

Animation continues to make progress in responding to video distribution, and overseas expansion through video distribution, movies and other media is strong at approximately 1.5 trillion yen (in 2022).

This is a field in which Japan has an advantage, and opportunities for overseas development are expanding through video distribution and other means; the ripple effect on music, games, live-action, characters, etc., is also significant.

On the other hand, the animation industry is chronically understaffed, making it difficult to develop specific human resources⁶⁷ such as producers, directors, scriptwriters, character designers, and animators. There are many SMEs in the animation industry, resulting in differences in human resource development efforts depending on the strength of the company. In particular, there is a shortage of young producers who are in charge of overall supervision of animation production.

In addition, in many cases, animation production companies are forced to negotiate for superiority with overseas platform operators when it comes to distribution.

Therefore, it is desirable for SMEs to develop human resources, particularly young producers, and to transform themselves into animation production companies that can allocate resources to building the negotiation skills and production systems essential for securing production costs based on international standards that match the actual situation on the ground. Furthermore, strengthening the ability to negotiate with and acquire rights from overseas platform operators is an issue to be addressed.

⁶⁶ It is important to keep a close eye on the situation and consider taking action, if necessary, toward the formation of a Japanese content ecosystem.

⁶⁷ The labor supply-demand balance in the animation industry is demand-pull type, with an accelerating expansion of labor demand resulting in a shortage of human resources.

(3) Manga (publishing)

In the manga (publishing), sales of e-comics have increased significantly due to the popularization of smartphones, which is expected to continue to grow in the future. Overseas development is approximately 320 billion yen (by 2022), and in recent years, combined with the popularity of anime, the popularity of Japanese manga overseas is further increased.

Japan's strengths lie in the diversity of talented artists, the creations of editors and other producers who support them, and the diversity of places where works are released to the world, including manga magazines and publishers' own applications.

Because many of the works published overseas are paper-based rather than digital (electronic) (and more popular), and are often in the form of licensing out to local publishers, the majority of works published overseas are animated and by major publishers with licensing-out know-how. In such cases, time lags occur in the publication of local editions, thus leading to rampant piracy.

In the future, in order to cope with the emergence of various digital distribution channels, the challenge is to create an open ecosystem in which individual authors can choose to be supported not only by organizational management by publishing companies, but also by outside producers and others so that they can concentrate on their creative activities.

(4) Live-action (film/drama/factual)

Although live-action (movies/dramas/factual)⁶⁸ are becoming increasingly compatible with video distribution, overseas development is small, at about 130 billion yen (in 2022).

In recent years, Japanese live-action films have exceeded \$50 million in U.S. distribution and have been ranking high in the number of viewers on major overseas video distribution networks. Therefore, there is great potential for future overseas development of Japanese-themed films through video distribution and other means.

However, there is a shortage of high-skilled digital and young human resources capable of utilizing advanced VFX technology, while in many cases⁶⁹, personnel requiring specialized knowledge, such as legal and accounting, are not properly assigned. Furthermore, it is essential to review Japan's unique business practices on a sustained basis in the future, such as improving the working environment, ensuring compliance, making accounting transparent, and eliminating the multiple subcontractor structure.

The key to improving skills is to secure production expenses (financing) based on international standards that are commensurate with the actual situation in the field, improve the production environment and system, and encourage the location incentives of overseas productions and international co-productions.

In addition, it is necessary to develop a system for human resource development in Japan, as well as to enhance overseas study programs to foster human resources. By increasing opportunities to

⁶⁸ Some believe that music videos, in addition to movies, dramas, and others contribute to the promotion of Japan.

⁶⁹ In particular, when producing large-scale productions, specialized knowledge and skills in legal affairs and accounting are often required in collaboration with overseas production and distribution companies. In order to produce large-scale productions and increase the scale of productions in the future, it seems important to improve these aspects.

proactively interact with foreign countries at various levels and departments on the production side, it is hoped that new approaches and initiatives can be learned, thereby nurturing the seeds of a new model that differs from the domestic model.

(5) Music/live entertainment

While streaming distribution has become the mainstream in the global market, Japan lags behind in streaming support. There is no data on the overseas development of music.

With streaming becoming the mainstream distribution means that a seamless international market is rapidly developing and the industry structure is changing dramatically, leading to some Japanese artists gaining worldwide acclaim.

According to streaming charts and other data, music with anime tie-ups tends to be relatively listened to overseas; however, in recent years, some music has become a hit starting from social networking services. In addition to such tie-ups with anime to attract anime fans and effective use of SNS, by taking advantage of the diverse and long-accumulated strengths of Japanese music, such as desktop music and virtual artists based on Japan's unique culture including Vocaloid and VTuber, Expansion of overseas development is expected in the future.

It is required to properly understand the current situation: structural changes have occurred due to digitization and globalization, and the ratio of new to old releases has reversed accordingly. It is also necessary to shift to a business model accordingly, review business practices, as well as the way contracts with creators should be conducted. It is also important to properly grasp data on overseas development, set targets, and take strategic measures to achieve them. Furthermore, from the perspective of giving appropriate compensation returns to performers and phonogram producers, consideration should be given to how desirable compensation returns to performers and phonogram producers should be, while taking into account the international copyright system, consensus building among related parties regarding the introduction of the right to claim compensation, and the prospects for a smooth collection and distribution system⁷⁰.

The live entertainment industry was greatly affected by the COVID-19 pandemic, thus the government has taken various measures to support the industry; however, with growth expected in the future, the industry needs to further strengthen its earnings power⁷¹. For example, live music performances are not only a place to listen to music, but also a place to experience the great value of being united with the artist and the fans who support the same artist; thus, efforts to build a global fandom of Japanese music through live performances overseas are also required. In promoting the overseas development of music, it is crucial to create opportunities to enjoy Japanese music as a

⁷⁰ In cases where commercial phonograms are used in public, Article 15, Paragraph 1 of the WIPO Performances and Phonograms Treaty (i.e., the WPPT) and Article 12 of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting (i.e., the Rome Convention) require the introduction of a right to claim compensation for performers and producers of phonograms, but reservations can be made (Article 15, Paragraph 3 of the WPPT and Article 16 of the Rome Convention), and Japan has declared a reservation.

⁷¹ Although a flat fee is often set at a relatively low level for live performances in Japan, some have pointed out that it is important to create an ecosystem in which high profits are earned and reinvested in conjunction with the provision of high value-added services.

value-added experience in Japan⁷², as well as to create an environment⁷³ that facilitates participation in live performances from overseas.

In live entertainment, performing arts is another key genre. For both music and performing arts, the outbound (overseas performances) is challenged by risks related to economic rationality, while for inbound (e.g., live performances in Japan), the lag in the digitization of event information and ticket sales, as well as in the enhancement of services such as real-time subtitling at the site, has been pointed out as an issue. Therefore, it is important for the public and private sectors to work together to improve infrastructure and support systems.

4. Policy/future initiatives⁷⁴

(1) Enhancing data related to overseas expansion as a key industry, and rotating the PDCA cycle at high speed

To position the content industry as a key industry and work strategically to promote industrial growth, we will work to strengthen its international competitiveness, and promote its overseas expansion, while implementing the PDCA cycle at high speed.

With regard to the overseas expansion of the content industry, we will advance initiatives by setting targets, preparing data that will serve as KPI, and making them visible, while confirming progress in the public and private sectors based on such data.

<Government efforts>

- The target scale of the overseas market for content originating from Japan is set at 20 trillion yen by 2033. As a reference, an intermediate target is set at 10 trillion yen by 2028. Additionally, the improvement and maintenance of statistical data necessary for the measurement of the target value will be discussed.

[Reference]

- The target is set at 15-20 trillion yen by 2033, according to a proposal⁷⁵ by Japan Economic Federation (general incorporated association)

【Cabinet Office (IP), Concerned government ministries】

- To advance the structural reform and strengthening of Japan's content industry (including measures against piracy), a public-private council including creators will be established, which will review past efforts by the public and private sectors, consider specific and bold policies for the future based on these efforts as well as confirm and share the progress of these efforts.

⁷² It is hoped that they will experience great live performances during their visit to Japan and contribute to the promotion of Japanese music after returning home.

⁷³ For instance, some have pointed out that it is difficult to obtain tickets overseas for live concerts held in Japan, thus making it important to promote digitization and DX, including through the use of NFTs.

⁷⁴ To clarify the primary role, this Strategy describes not only the government's initiatives, but also the roles expected of the private sector and matters desired to be addressed by the private sector. For initiatives that are not listed, the government needs to support the private sector's initiatives as necessary, thereby promoting public-private partnerships.

⁷⁵ "Entertainment Contents ∞ 2023" (April 11, 2023).

【Cabinet Office (IP), Concerned government ministries】

<Private sector efforts>

- Per-industry group basis, set targets for overseas expansion on a per-industry group basis for each genre of games, animation, manga, live-action, and music. Particularly for music, data will be developed to manage the progress of overseas development.

(2) Increasing business development capabilities overseas

We will strive for the following: collection and sharing of overseas marketing information, strengthening of matching functions with overseas local players and other entities, development of field collaboration and crossover, promotion of external funding, multilingualization of information dissemination, improvement of technical capabilities and overseas PR by location incentives for large-scale overseas productions (live-action), and development of an international standard-based working environment and thorough compliance, review of uniquely Japanese business practices, and development of state-of-the-art studios.

<Government efforts>

- To strengthen the collection and sharing of overseas marketing information and the matching function with overseas local players and other entities, we will assign content specialists to JETRO to support the overseas development of the content industry and promote the establishment of core networks to local markets and other entities.

【METI, Cabinet Office (IP), Concerned government ministries】

- Support the production costs of globally competitive video productions to ensure production costs based on international standards and to encourage the production of high-quality video productions that take advantage of Japan's abundant IP. In addition, since the production of high-quality video productions requires planning and development with a high degree of perfection, provide support for pre-production, thereby establishing an integrated support system for high-quality video production. Consideration will be given to making compliance and improvement of the working environment conditional upon such support.

【METI】

- To capture growing overseas demand and expand the market for content originating from Japan, strengthen production capabilities, acquire production and distribution know-how, enhance the functionality of distribution platforms, as well as support promotion and localization (e.g., translation) for the overseas development of content.

【METI, Agency for Cultural Affairs, MIC, Concerned government ministries】

- Consider support for securing exhibition opportunities for artworks at art museums with global influence. Furthermore, support the exhibition of Japanese pavilions at international film festivals, international book fairs, and international trade fairs, as well as the promotion of artworks on these occasions.

【METI, Agency for Cultural Affairs, MIC, Concerned government ministries】

- In particular, in order to capture growing overseas demand and expand the market for Japan-originated content, support for live performances and other activities overseas that contribute to

the formation of a global fandom for Japanese content will be provided.

【METI】

- To promote location incentives of overseas films, the guidelines⁷⁶ summarizing items to be addressed by film commissions (FC), licensees, producers, etc. were revised to strengthen consultation and support systems with the aim of resolving individual issues such as procedures for licensing, to further promote greater penetration and mutual understanding among stakeholders.

Furthermore, to effectively realize the economic and social effects of location incentives, and the PR effects on overseas markets, the public and private sectors will work together to promote location-based tourism, including the use of content to promote tourism.

【Cabinet Office (IP), NPA, Fire and Disaster Management Agency, MLIT, Agency for Cultural Affairs, Ministry of Justice, JTA, Concerned government ministries】

- To effectively realize economic and social industrial promotion through location incentives, strive for providing incentives and effective operations to attract filming, including post-production processes, including VFX.

【METI】

- Strengthen the functions of national parks and public facilities to make them modern centers for culture and information dissemination through private-sector vitality. Specifically, Kitanomaru Garden will be considered for use as a center for disseminating information on cutting-edge science, art, and culture.

【Agency for Cultural Affairs, MOE, Concerned government ministries】

- In light of the significance of media arts, which are widely popular among the public, highly appreciated overseas, and play a role in increasing understanding of and interest in Japan, the National Center for Media Arts (tentative name) will promote the development of human resources in the outstanding media arts field in Japan and the collection, preservation, exhibition and utilization of related materials. In addition, initiatives will be taken to develop a center that will serve as a core for the promotion of the center, which will have the following functions for manga, animation, special effects, and games, intermediate products such as original drawings, and information related to them: (1) collection, preservation, and digitization of works; (2) research and study; (3) human resource development and education; (4) information dissemination both in Japan and abroad; (5) exhibition and utilization; and (6) dissemination and exchange, among others; and (6) dissemination and exchange.

【Agency for Cultural Affairs】

- To value Japanese literary works and manga within the institutionalized framework of overseas critics, influencers, libraries, etc., establish a council of stakeholders consisting of domestic and foreign experts, the publishing industry, and others, and develop a list of recommended works for libraries and other institutions.

【Agency for Cultural Affairs】

⁷⁶ “Guidelines for the Smooth Implementation of Filming on Location” (August 25, 2020, Cabinet Office, NPA, Fire and Disaster Management Agency, MLIT, Agency for Cultural Affairs)

- To disseminate and promote literary works, manga, and other works overseas, support intermediaries who can communicate the value of these works so that each author can develop their works overseas and develop them based on inclusive themes. Additionally, discover and foster overseas specialists who can translate and critique works based on overseas cultures and values.

【Agency for Cultural Affairs】

- In countries where diplomacy and exchanges need to be strengthened, screening at theaters and online distribution, etc., will be conducted with a lineup based on local needs to promote understanding of Japan and increase demand for viewing Japanese films and other visual content, thereby creating the ground for overseas development.

【MOFA】

<Private sector efforts>

- With a view to collaborating with global players such as overseas platforms, proactively work on the transformation of business models, review of Japan's unique business practices and production methods, digitalization and DX, and other initiatives.
- When developing content overseas, it is desirable to conclude contracts that enable multiple development of IP, such as visualization and commercialization, rather than transferring or exclusively licensing all the various rights to platforms or local operators. It is extremely important to have a support system and information sharing⁷⁷, to enable Japanese IP holders to conclude fair contracts with overseas operators on an equal basis. Achieve high profitability on a sustainable basis through the expansion of the “economic sphere” by means of IP pluralistic development, rather than simply a transient hit by a single media.
- Not only securing conventional in-house production costs, but also broadly seeking external funding both domestically and internationally to raise funds to secure production costs based on international standards. Conduct content production not only with a business model for the domestic market in mind, but also with a variety of funding options in mind for overseas expansion and IP diversification.
- To ensure the sustainability of film production in Japan, steadily promote the “Eiteki” (Japan Motion Picture Production Standards Association). In addition, while closely monitoring the progress and effects of this system, the entire industry involved in the content industry, including other genres such as drama and other moving images and broadcasting, will improve the working environment.
- Considering the status of studio development overseas (including virtual production and VFX) and domestic and overseas needs, examine specific concepts for studio development in Japan. In addition, need to study the production and archiving of digital assets such as backgrounds and architectural elements on film.

The newly developed studios will be examined from the perspective of using them as a base for

⁷⁷ Some have pointed out that these initiatives may well determine the success or failure of Japan's content industry in the future.

tourism, where information on contents and entertainment can be disseminated and visitors can observe and experience them.

(3) Advancing structural reforms to accommodate digital business

We are working on the following: making production DX, building a business model utilizing new technologies such as blockchain/Web3 and NFT, reviewing revenue distribution and contractual relationships that are compatible with digital, improving negotiation skills to build equal relationships with overseas platforms, securing secondary distribution channels such as platforms, and so on. Furthermore, the desirable way of desirable compensation returns to performers and record producers for record performances and transmissions will be examined.

Archives of Japanese cultural and academic assets will also contribute to Cool Japan initiatives as a means of communicating Japan's attractiveness. The digital archive portal site “Japan Search” will be used as a foundation for promoting digital archive initiatives.

As for generative AI, it is becoming increasingly multimodal, with AI for text, image, music, and video generation also emerging. Taking into account future technological advances in generative AI, it has been pointed out that the nature of the content industry may change drastically, requiring structural reforms while taking such future prospects into account. As for content generation using generative AI, it should not be uniformly ruled out, but it can improve efficiency by replacing simple tasks and creating time for creative contemplation or by instantly experimenting with various combinations, which can lead to new creativity, and often contribute to creative activities. Build social consensus and improve acceptance so that the utilization of generative AI will be promoted while taking into account the balance between rights protection.

In addition, new technologies such as generative AI are expected to change the nature of work (tasks) and alter the roles of workers and others. While the introduction of generative AI and other technologies is expected to reduce workloads and increase productivity, there are also concerns in some sectors about the risk of unemployment and widening inequalities⁷⁸. It is critical that all AI stakeholders, including users, cooperate to promote the use of AI in a responsible manner so that the benefits of the rapidly spreading generative AI can be maximized while mitigating its risks.

< Government efforts >

- Regarding digital archives, we will promote digital archive initiatives based on Japan Search in order to pass on to the future the records of society's knowledge and cultural and historical resources, and to promote the revitalization of new value creation through the utilization of these records. Simultaneously, under the cooperation of concerned government ministries, agencies, and archive organizations in various fields, a strategy for FY2026 and beyond will be formulated to promote the digitization of content and other initiatives.

【Cabinet Office (IP), Concerned government ministries】

- As digital natives are expected to become the core consumers and leaders of the content industry in the future, the competitiveness of the content industry in the future will depend on the development of an industrial base that enables the creation of high-quality digital content through

⁷⁸ Refer to the FY2023 Employment Policy Study Group Interim Report, “The Impact of New Technology on Employment,” (Tentative translation) MHLW, December 21, 2023.

the use of new digital technologies⁷⁹ and other means. Therefore, we will encourage the creation of high-quality digital content using new digital technologies and support the development of creators who can produce and disseminate such content.

【Agency for Cultural Affairs, METI】

- Based on the results of the survey on video distribution services and trends in policies such as copyright policy and information and communication policy, we will continue to ascertain whether or not there are unilateral changes in rules (disadvantageous changes), efforts to improve transparency (disclosure of data such as the number of viewers), revenue sharing, and rights settings for secondary use of content so that equal relationships with overseas platforms are established for the purpose of realizing fair and free competition.

【Fair Trade Commission (FTC), Agency for Cultural Affairs, MIC, Cabinet Office (IP)】

- To facilitate a virtuous cycle of content creation in response to the digital age, and to contribute to the expansion of compensation returns to creators, necessary preparations will be made for the smooth operation of an adjudication system for the use of unmanaged works under the revised Copyright Act⁸⁰.

Furthermore, to ensure that the “Cross-Disciplinary Rights Information Retrieval System”(tentative translation) is established and operated in time with the implementation of the system, efforts will be made to collaborate with organizations holding databases in each field and to design and develop a system that can be completed as much as possible digitally, with the cooperation of right holders, users, and a wide range of other stakeholders.

【Agency for Cultural Affairs】

- In order to promote the realization of a system that enables simple and centralized rights handling, including new rights handling mechanism with a centralized contact organization that crosses all fields, regarding a framework for cooperation and role-sharing among telecommunication-related business operators as intermediaries for content distribution on the Internet, and to provide content creators with a framework for cooperation and a framework for role-sharing among telecommunication-related business operators as intermediaries for content distribution on the Internet should be examined and a conclusion reached, taking into consideration the dominant relationship of digital platform operators that provide a venue for content distribution transactions, the future shape of the content industry such as the increase of UGC in the market, and the positioning of the intermediary responsibilities of telecommunication-related business operators in the European and U.S. systems. Based on such conclusions, measures that contribute to the smooth preparation for the start of the new system and its continuous operation will be realized in a manner that also meets the demands of the speed of the digital age. In doing so, the use of advanced technologies will also be included in the scope of consideration.

⁷⁹ At present, for instance, blockchain/Web3, NFT, AI, Metaverse, and VR are envisioned, but it is expected that new technologies to be put to practical use will also be proactively utilized in the future.

⁸⁰ The Copyright Law, as amended by the Law Partially Amending the Copyright Law (Law No. 33 of 2023), is expected to be fully enforced in the spring of 2026.

【MIC, Concerned government ministries】

- With the advancement of digitalization, the provision of content through distribution platforms has become the mainstream; however, in light of the situation where there are few unique Japanese platforms, we will consider supporting the creation of unique Japanese platforms and secondary distribution platforms to enable the strategic overseas development of content based on our own judgment.

【Cabinet Office (IP), Concerned government ministries】

- With regard to live-action, consideration will be given to how to secure unique distribution channels, and other matters.

【MIC】

- Regarding the performance and public transmission of phonograms (master recordings) in stores or other places, the desirable form of compensation returns to performers and phonogram producers will be discussed, taking into consideration the prospects for consensus building among the parties concerned regarding the introduction of the right to claim compensation and the prospects for a smooth collection and distribution system, in addition to the perspective of harmonization with the international copyright system.

【Agency for Cultural Affairs, Concerned government ministries】

- With regard to generative AI, based on the “General Understanding on AI and Copyright in Japan” (March 15, 2024, Legal Subcommittee under the Copyright Subdivision of the Cultural Council, Agency for Cultural Affairs), regarding copyright system, raise public awareness of the copyright system in an easy-to-understand manner, collect good examples and share them with stakeholders, while continuing to consider further clarification as necessary and disseminate the results of the study to all parties concerned.

【Agency for Cultural Affairs】

- Regarding the use and generation of portraits and voices of actors, voice actors, etc. in generative AI, summarize the legal perspective on the relationship with the Unfair Competition Prevention Act, and review and consider revisions as necessary. In addition, review and revise, if necessary, other related laws regarding the use and generation of portraits and voices of other people.

【METI, Agency for Cultural Affairs, JPO, Ministry of Justice, Consumer Affairs Agency】

- Based on the “Interim Summary” of the Study Group on Intellectual Property Rights in the AI era (May 28, 2024), and other documents, to realize an ecosystem in which the promotion of AI technology progress and the appropriate protection of intellectual property rights are compatible, we will disseminate information on the applicable relationship between each intellectual property law and AI and examples of expected efforts by each entity, and promote efforts to achieve this goal.

【Cabinet Office (IP), METI, MIC, Agency for Cultural Affairs】

- Promote the appropriate communication among the parties concerned, including the acquisition of a common understanding of generative AI and technologies related to it, the implementation status of licensing of copyrighted materials for AI learning, and other purposes, and the sharing

of information on websites that contain piracy.

【Agency for Cultural Affairs, METI】

- Given the issues we have identified with regard to the utilization of the metaverse, while keeping in mind a variety of use cases, we will examine effective measures for social implementation. Based on the roles to be assumed by metaverse platformers a necessary study will be conducted on effective measures for the construction of a metaverse space where people can spend their time freely, diversely, safely, and securely.

【MIC, Concerned government ministries】

- Regarding the use of NFT in the content field, promote necessary measures so that the issues of rights protection of content holders and user protection will be addressed.

【METI, Agency for Cultural Affairs, Cabinet Office (IP)】

- With the aim of cultivating new growth areas in the Japanese content industry and promoting the creation of a creator economy, we will support initiatives to develop an environment that supports individual creators using next-generation technologies such as Web3 and Metaverse, to upgrade business models that utilize IP, and to provide new content experience value.

【METI, Agency for Cultural Affairs, Concerned government ministries】

<Private sector efforts>

- Given the increased need for new use of cultural assets and academic materials and past works of content including music, videos, and books due to the advancement of digital technology and the COVID-19 pandemic, promote digital distribution, archiving, and other initiatives with a view not only to domestic but also to overseas markets.

- While taking into account global market trends, engage in the creation of high-quality digital content by utilizing new digital technologies in each genre of games, animation, live-action, manga, music, and other genres.

- In the field of music, as music media shift from vinyl records and CDs to digital distribution, changes in production and distribution costs are occurring, therefore, the digital business model must be addressed, including the distribution of revenues among players (record companies, music publishers, songwriters, composers, and performers) and how contracts are to be made.

In publishing (comics), given the increasing sales of e-comics, need to respond to the digital business model, including the appropriateness of transactions in content creation, the distribution of revenues among each player (publishers and creators), and the nature of contracts.

- With the advancement of digitalization, content provision through distribution platforms has become mainstream; however, in light of the situation where there are few unique Japanese platforms, each industry will collaborate and cooperate to create unique Japanese platforms to enable the strategic overseas development of content based on their own judgment.

- Based on the “Interim Summary” (May 28, 2024) of the Study Group on Intellectual Property Rights in the AI Era, all concerned entities (AI developers, AI providers, AI users [business users], right holders, and non-business users [general users]) will combine legal, technological, and contractual means to realize an ecosystem that balances promotion of AI technologies and appropriate protection of intellectual property rights.
- Appropriate communication among stakeholders will be pursued to foster a common understanding regarding the outline of generative AI and related technologies and mechanisms, as well as how creators and other rights holders want their works to be used, or not to be used.
- By using the portraits and voices of actors, voice actors, announcers or others, work to examine private-sector rules for generating digital replicas by AI and using them in content, from the perspective of protecting personalities and occupations.

(4) Strengthening human resources to support a content industry

To strengthen the human resources that support the content industry, the following measures will be taken: establish a framework for the development of talented individuals/creators, including dispatch overseas; develop digital creators who are proficient in cutting-edge digital technology; enhance the development of practical producers (including study abroad); utilize startups and other organizations that provide business support for creators; visualize the specific skills required and focus on higher education; ensure and improve compensation and benefits according to skills; and utilize foreign leaders.

< Government efforts >

- To support the challenges of young creators and artists with a view to overseas development and to reinforce the training system, the program provides flexible support over multiple years for integrated activities from planning, negotiation, production, presentation, and overseas development of works and performances by the next generation of creators, including game, animation, manga, live action, music, performing arts, art, etc.

【Agency for Cultural Affairs】

- Toward strengthening the competitiveness of the content industry, support efforts to unearth and nurture creators (including digital creators) and expand opportunities for them to play an active role. In addition, the following human resource development programs will be implemented: improving the skills of staff involved in production; acquiring production technology and know-how⁸¹ in the production and distribution of content for overseas development; developing human resources for production and management, including financing and management of content for overseas markets; and developing human resource (including through overseas study) s to

⁸¹ As for broadcast content, consideration is being given to supporting the acquisition of know-how in production technologies such as 4K technology.

promote the DX of the content industry, based on the latest technological trends and other factors.

【Agency for Cultural Affairs, METI, MIC, Concerned government ministries】

- To effectively and strategically promote the international dissemination and global development of Japanese arts and culture while incorporating a business approach, a comprehensive support program will be implemented jointly by the public and private sectors to discover top-level artists, etc. and support their participation and matching in venues where they can develop their careers on a global level, including not only international centers in the relevant artistic fields but also from the perspective of future economic growth and the global South, and to provide support for networking and promotional activities overseas.

【Agency for Cultural Affairs】

- To promote the use of the latest digital technologies in content creation and distribution and to revitalize the industry through innovation, support startups and other organizations that provide services for content creation and distribution using the latest technologies and business support for creators.

【METI, Concerned government ministries】

- To develop appropriate human resources in the content industry, examine the actual situation of mismatches in human resources and skills required in each genre as clarified by the industry, and how to improve the situation through cooperation between the public and private sectors. Additionally, according to the needs of the industry, support efforts to strengthen human resource development to support the content industry at universities and other institutions of higher education and other institutions.

【METI, MEXT, Agency for Cultural Affairs, Concerned government ministries】

- Support freelance creators and other professionals by providing a “copyright contract drafting support system” (Tentative translation) that offers a standard template for contracts and a “copyright contract manual for everyone” (Tentative translation) for those who are not necessarily familiar with copyrights.

【Agency for Cultural Affairs】

- With a view to ensuring appropriate earnings for creators, strengthen the system of consultation services that provide individualized support by lawyers and other experts on issues related to contract creation and other matters when creators develop their businesses.

【Agency for Cultural Affairs】

- Aiming to establish appropriate relations in the field of culture and the arts, disseminate and raise awareness of the guidelines⁸², including a template for contracts, released in July 2022, and develop efforts to improve the activity environment for persons involved in culture and the arts, including freelance artists, through specific measures such as holding training sessions and establishing a consultation service.

【Agency for Cultural Affairs】

⁸² “Guidelines for the Establishment of Appropriate Contractual Relationships in the Cultural and Arts Sector” (July 27, 2022, Study Council for the Establishment of Appropriate Contractual Relationships in the Cultural and Arts Sector)(Tentative translation).

- To ensure fair transactions in the content industry, the Guidelines for the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors⁸³ (e.g., advertising, broadcast content, animation production) will be reviewed as necessary, and, in conjunction with the Act on Securing Proper Transactions between Freelance Businesses and Other Entities⁸⁴ to be enforced in the fall of 2024, will be widely publicized and thoroughly adhered to.

In particular, with regard to the film industry, close attention will be paid to the progress and effects of the work certification system (Eiteki) and other mechanisms established to ensure the proper operation of film production sites that are being undertaken by the private sector. In addition, regarding broadcast content, the guidelines⁸⁵ will be revised to create the necessary transaction and production environment for the appropriate compensation returns to the creators.

【Cabinet secretariat, FTC, MHLW, MIC, METI】

- To create transaction environments that maximize the creativity of individual creators, surveys will be conducted to ascertain the actual status of transactions between performers and entertainment agencies and production companies in the fields of music and broadcast programs, as well as the relationship between business associations, record companies, and broadcasters. Based on the results of the survey, guidelines will be formulated to clarify specific ideas under the Antitrust Law and competition policy regarding the prevention of abuse of a superior bargaining position.

【FTC】

<Private sector efforts>

- To strengthen the development of human resources to support the content industry, clarify the human resources and skills required in each genre of the content industry, ensuring and improving compensation commensurate with specialized skills. Additionally, to achieve appropriate matching with the required human resources, the content course offerings at universities and other institutions of higher education should be intensified in accordance with the needs of the industry.
- Ensure compliance in order to protect human rights, and develop a production environment that is comparable to other countries and regions, as well as a working environment that makes talented people want to work there. Furthermore, ensure a variety of options for creators and develop an ecosystem that allows for appropriate competition.
- Provide acceptance of persons from Japan who have studied abroad after their return to their home country, and develop their internal environment and career paths, etc. In addition, an environment should be created where foreign graduates who have studied in Japan from overseas

⁸³ Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Act No. 120 of 1956).

⁸⁴ Act on the Fairness of Transactions with Specified Subcontractors (Tentative translation) (Act No. 25 of 2023).

⁸⁵ “Guidelines for Regulation on Production and Trade of Broadcast Content Developed (Seventh Edition)” (September 30, 2020, MIC).

can remain active in Japan after completing their studies⁸⁶. Industry associations will also support these efforts as well as raise awareness.

(5) Strengthening Anti-Piracy Measures through Public-Private Partnerships

While content is expanding globally in line with digitization, the damage caused by piracy is also growing and remains serious. In particular, in recent years, there has been a marked increase in the number of accesses from and to foreign countries by foreign piracy sites (including pirate applications; the same applies below). Since illegal advertising revenues generated by the operation of pirate sites can also serve as revenues for criminal organizations, urgent intergovernmental action is required from the perspective of strengthening international cooperation and enforcement.

However, strengthening international cooperation, international enforcement, and other measures to combat piracy will not provide a substantive solution unless an environment is in place that allows users to legally access Japanese content. To make anti-piracy measures effective, it is necessary to work in unison with the promotion of distribution of legitimate versions. Therefore, while promoting the overseas development of content and supporting the promotion of distribution of authorized versions by the private sector, the government will strengthen measures against Internet piracy in cooperation with the public and private sectors, based on the following comprehensive menu⁸⁷ for countermeasures against online piracy aiming to secure legitimate profits for copyright holders and others in the growing and expanding overseas market and to create an eco-cycle⁸⁸.

< Government efforts >

- Hold a liaison conference of concerned government ministries at the working-level concerning anti-piracy measures, share the latest information, and work together with the government to promote measures based on a comprehensive menu of countermeasures against pirated copies on the Internet.

【Cabinet Office (IP), NPA, MIC, Ministry of Justice, MOFA, Agency for Cultural Affairs, METI】

- In response to the increasing sophistication and diversity⁸⁹ of overseas pirate sites that distribute Japanese content to local people overseas, the following efforts should be made by the public and private sectors to promote awareness in local languages through overseas diplomatic establishments, to study ways to provide incentives for providing information on pirate sites, and to encourage such activities at bilateral consultations and various international conferences.

⁸⁶ In addition to efforts by the private sector, matters related to systems and regulations, such as residency status, also need to be considered by the government, if necessary.

⁸⁷ “Comprehensive Measures and Work Schedule to Combat Online Piracy.” (Cabinet Office, NPA, MIC, Ministry of Justice, MEXT, METI, Oct. 2019). Updated in April 2021 and May 2024 based on subsequent changes in the situation and other factors (Cabinet Office, NPA, MIC, Ministry of Justice, MOFA, MEXT, METI).

⁸⁸ In taking measures against piracy, there is an opinion that attention should be paid to the balance with the revitalization of the creator economy (economic sphere, including a structure where creators create value and are compensated for their work).

⁸⁹ In the early days, many pirate sites were operated by Japanese operators for the domestic market, but increasingly they are operated by foreign operators for the domestic market or by foreign operators for the foreign market (in both cases, the content is illegally distributed from Japan).

【Cabinet Office (IP), NPA, MIC, Ministry of Justice, MOFA, Agency for Cultural Affairs,
METI】

- Encourage CDN⁹⁰ service providers to stop providing services to pirate sites and take other necessary measures to ensure that the services of various private operators used to operate pirate sites are taken.

【MIC, Cabinet Office (IP), Concerned government ministries】

- Based on the revision of the Act on the Limitation of Provider Liability⁹¹ (May 2024) to oblige large-scale platform operators to speed up the removal of illegal and harmful information on the Internet and to make their operational status transparent, we will promote effective measures for platform operators by clarifying what kind of information is distributed in violation of laws and regulations and infringement of rights, as well as their appropriate operation, through institutional development such as ministerial ordinances, guidelines, and other measures.

【MIC】

<Private sector efforts>

- In countries and regions where Japanese content has been penetrated by pirated copies and other means, since it is considered that the popularity of Japanese content is high and there is a need for it, take this as an opportunity to develop the market and expand into overseas markets, including translation into local languages and licensing out to local businesses, in addition to anti-piracy efforts.
- The content industry will work together to promote voluntary efforts by the private sector, such as not using the services of private companies that are used to operate or access pirated sites due to insufficient identification and other measures that contribute to anti-piracy measures.
- With regard to private sector-led initiatives, for example, dispatch of private missions, bounty systems in cooperation with local police, and other measures will be considered and implemented with reference to successful initiatives in other fields to further strengthen measures against overseas pirate sites.

(6) Reinforcing public-private partnerships

To enhance public-private partnerships, the following efforts will be made to develop intelligence functions, share data and strategies, and build and improve user-friendly functions, such as listing a menu of measures by concerned government ministries.

< Government efforts >

- To advance the structural reform and strengthening of Japan's content industry (including

⁹⁰ It stands for Content Delivery Network, a network that duplicates and stores website content and delivers it to end users via optimal routes. This can speed up the display speed of websites and disperse the concentration of access.

⁹¹ Refer to the previous note (64).

measures against piracy), a public-private council including creators will be established to examine the past efforts of the public and private sectors, and based on this, review specific and bold policies for the future, as well as confirm and share the progress of these efforts. (reprinted)

【Cabinet Office (IP), Concerned government ministries】

- To strengthen the collection and sharing of overseas marketing information and the matching function with overseas local players and others, JETRO will assign personnel specializing in content to support the overseas development of the content industry and promote the establishment of core networks to local markets and others. (reprinted)

【METI, Cabinet Office (IP), Concerned government ministries】

- Regarding the support policies and support tools for the content industry implemented by the government, systematically organize and create a menu with reference to cases⁹² of startup support policies, and organize and provide content-related budgets and related statistics, indicators, and data in a centralized and user-friendly manner. Furthermore, the sharing of support policies and collaboration among support organizations will be reinforced. 【Cabinet Office (IP), METI, Agency for Cultural Affairs, MIC, Concerned government ministries】

- To further support the structural transformation and competitiveness of the content industry while strengthening support for creators, examine how to secure financial resources over the medium term, including the securing of financial resources.

【Cabinet Office (IP), Concerned government ministries】

<Private sector efforts>

- While taking advantage of government support, positively work on business model transformation, review of Japan's unique business practices and production methods, digitization and DX, human resource development, etc., with a view to collaborating with global players such as overseas platformers.

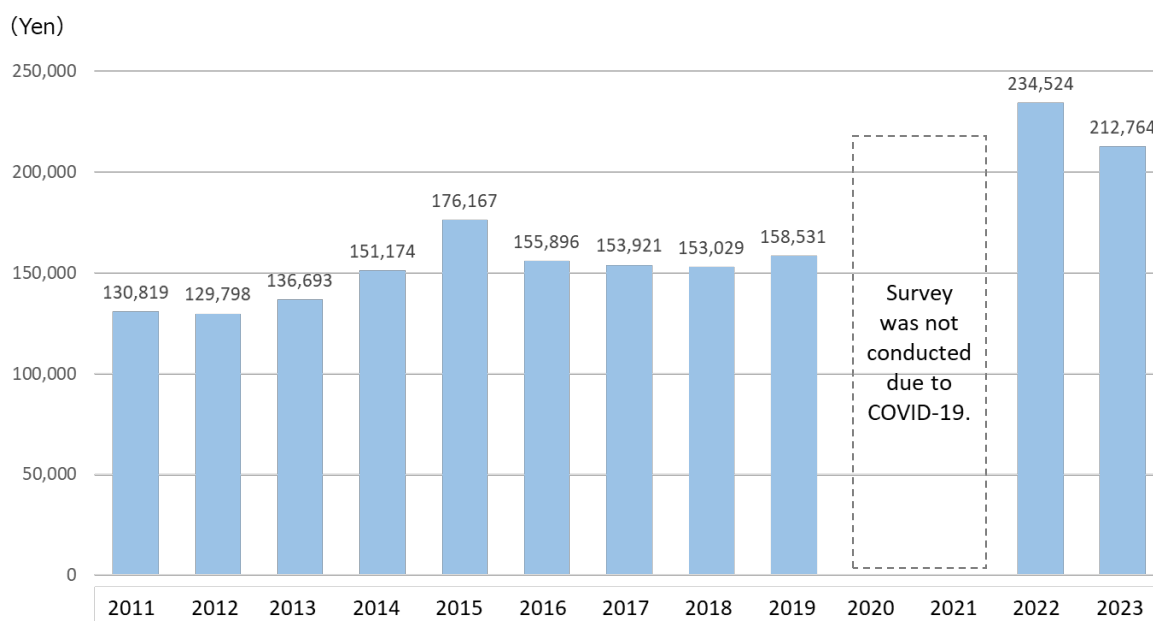
⁹² On the METI website, a portal for startup support measures has been established to show a list of measures and to allow users to search for them.

<<https://www.meti.go.jp/policy/newbusiness/startup/index.html>>

II— (ii) Cross-disciplinary efforts for inbound tourism, export of agricultural, forestry and fishery products and food, and promotion of regional attractiveness.⁹³

1. Current situation

Inbound tourism has recovered steadily from the COVID-19 pandemic, with the number of inbound travelers exceeding 25 million and inbound travel spending reaching a record high of 5,306.5 billion yen (+10.2% over 2019) (both in 2023)⁹⁴. Travel spending per inbound traveler also exceeded 200,000 yen, surpassing the level before the COVID-19 pandemic⁹⁵.



(Source) Compiled based on the “Survey on Trends in Consumption by Foreign Visitors to Japan” (JTA)

【Figure 9: Trends in travel expenditures per foreign visitor to Japan】

In addition, exports of agricultural, forestry and fishery products and food and other products are continuously expanding to 1,454.1 billion yen (in 2023), continuing to reach record highs, including during the COVID-19 pandemic⁹⁶.

Other sectors representing Cool Japan include beauty (cosmetics) and fashion. Exports of cosmetics exceeded imports in 2016, and have been on an increasing trend since then, reaching 754.5 billion yen (in 2022)⁹⁷. Exports of fashion (clothing) have been on the rise in recent years, reaching 81.2 billion yen (2022)⁹⁸.

⁹³ Since the basic concept and approach presented in the previously formulated “Cool Japan Strategy” remain unchanged, it is important to promote Cool Japan initiatives in the fields of traditional arts and crafts, considering the circumstances in which they are placed.

⁹⁴ Refer to the previous note (27) and (28).

⁹⁵ Based on the “Survey on Trends in Consumption by Foreign Visitors to Japan”(JTA)

⁹⁶ Refer to the previous note (29)..

⁹⁷ Based on Trade Statistics (MOF).

⁹⁸ Based on Trade Statistics (MOF).

2. Common issues towards high value-added

To continue Cool Japan initiatives on an ongoing basis, these efforts must be sustainable, which requires the formation of an ecosystem in which high-value-added products and services generate high profits that can be reinvested in the industry, and the following initiatives must be undertaken.

- In order to earn foreign currency on an international level by pricing services based on value rather than cost, we will advance the sophistication of services and the creation of high-value-added content⁹⁹.

In promoting the sophistication of services and the creation of high value-added content, it is important to note that the provision of luxury value is important, and in recent years, in particular, there has been a growing emphasis on modern luxury values that place emphasis on culture and uniqueness¹⁰⁰.

- As the structure is changing from cost competition to value-added competition on a global scale, we will utilize perspectives such as design and art to enhance creativity and imagination in society at large.
- Since producing from a foreigner's perspective and utilizing new technologies are considered to be effective means, support for supporting SMEs, fostering startups, and promoting high-value-added initiatives utilizing new technologies will be promoted¹⁰¹.
- It has been pointed out that it is difficult to determine what regulations are violated when trying to provide high-value-added services, while it takes time to coordinate with the government due to the lack of precedents. Create an environment where businesses can easily provide high-value-added services.

It is critical that the entire society enhance its functions related to design and art in order to raise the level of these efforts¹⁰².

⁹⁹ It has been pointed out that, particularly in rural areas, there is often hesitation to set high prices based on value from the perspective of local awareness and a sense of horizontal alignment, making it important to reform attitudes and cultivate a mindset.

¹⁰⁰ The values of luxury are changing and diversifying, which are said to be broadly divided into two categories: “classic luxury” (conventional) and “modern luxury” (new type). Classic luxury is said to have values that emphasize wealth and power, and tends to seek high comfort, high quality of service, and status symbols, while modern luxury has values that emphasize culture and uniqueness, and tends to seek authentic experiences, ecotourism, sustainability. In addition, Keio University and other institutions are working to disseminate “JAXURY,” a Japanese attractiveness that embodies Japan (JAPAN), authenticity (AUTHENTIC), and comfort (LUXURY).

¹⁰¹ For instance, Niseko (Hokkaido), which is highly regarded around the world as a ski resort, will launch “Niseko Powder Token 2.0” in FY2023 to improve the value of not only the ski slopes but also a series of experiences at restaurants and local bars by converting them to NFT and linking them to real experience value, thereby increasing the value of the resort. <See <<https://niseko-nft.com>>.

In the Yamakoshi area (Niigata Prefecture), a marginal community with a population of 750, the community is working to increase the number of people involved by opening up the community to the world through the distribution of the Nishikigoi NFT, a digital resident card NFT, with the aim of preserving and connecting the community for the future.

¹⁰² In addition to confirming the effectiveness of art in regional branding, there have been cases where the number of visitors to a region has increased due to the attraction of the land discovered and expressed through art, leading to demand for specialties and other products. For instance, on Naoshima Island in the Seto Inland Sea, the image of contemporary art has strengthened the power of communication, and the art, along with the scenery of the Seto

Furthermore, to convey Japan's attractiveness overseas and develop business, it is necessary to go through the process of creating attractive products and services, developing sales channels, and conducting promotions, and the role of producers in this process is important. In particular, foreign producers who can produce Japan's attractions for overseas markets from a foreigner's perspective are expected to play an important role. To this end, we will create an environment that facilitates activities in Japan for foreign producers so that many foreign producers in a variety of fields can be active in Japan, thereby we will work to broaden the window of entry into Japan.

To expand the number of Japan fans and improve the value of the Japanese brand, it is necessary to strengthen the dissemination of information overseas. In this regard, it has been pointed out that the foreign community in Japan should be utilized, as foreigners residing in Japan can help disseminate information overseas, improve the image of Japan, and attract inbound visitors. We will work to create an environment that encourages foreigners to reside in Japan and strengthen cooperation with the foreign community.

3. Issues by fields

(1) Inbound incentives

With regard to inbound tourism, efforts to earn higher profits by providing high experience value should be further strengthened in response to the increase in the number of repeat visitors to Japan and longer stays in Japan. In addition to “sustainability,” which has become a global lingua franca, the awareness and concepts of “authentic,” “transformative,” and “wellbeing” are becoming more important, requiring brand strategies on how to design these values inherent in Japan.

Although authentic values exist in all regions throughout Japan, their attractiveness is often hidden. Efforts¹⁰³ should be continued to unearth, hone, and disseminate this attractiveness in line with the new values of people around the world.

As for the Transformative, each region of Japan has its own fascinating story to tell in terms of history, culture, and nature, and there are many areas with content that offers well-being experiences, adventure tourism unique to the region, and spiritual attractions, making Japan an ideal destination. Japan has the potential to become a destination of choice. To realize this potential, it will be important to find ways to communicate Japan's multi-layered, high-context culture through the power of expression, media, and content.

Based on the above, efforts should be made to build a sustainable ecosystem, such as a virtuous cycle of exports and inbound travel, by attracting inbound travel tailored to the needs of each country and region and by increasing the number of foreigners who love Japan. Capturing needs leads to the provision of value, which in turn is reflected in prices and becomes a source of reinvestment. By honing the region's unique materials as learning, expertise, and rare experiences, it will be possible

Inland Sea, has spread through SNS and other means. As a result, the number of visitors has increased from the former 10,000 or so per year to more than 750,000 (in 2019). (See note 110 below.)

¹⁰³ For specific methods of these efforts, refer to “10. Full-Scale Operation and Evolution of the Cool Japan Strategy” in the “Intellectual Property Strategic Program 2023” (June 9, 2023, Intellectual Property Strategy Headquarters).

to provide high value-added services that are highly sustainable.

In particular, in rural areas, there are many areas with values such as “sustainable,” “authentic,” and “transformative”. To form a sustainable eco-system, these values need to be firmly shaped as attractiveness. By promoting such efforts, it will be possible to attract foreign visitors to the regions, thereby contributing to the elimination of overtourism¹⁰⁴.

For this purpose, it is essential to develop and maintain contents that can provide high experience value. For instance, luxury value should be provided for high value-added travelers, such as extraordinary experiences that allow them to fully enjoy the attractiveness of Japanese history, culture, and nature, and rare experiences that can be enjoyed only at that time and place; and for foreigners who seek deep Japan, it is necessary to provide contents with high added value that are unique to the region-specifically.

In addition, there are many issues that need to be addressed, including digitization and DX: accommodation reservations cannot be made through OTAs (Online Travel Agents) that are being developed overseas, cashless payments are not supported, and inefficiencies are still being maintained in customer management and labor management, which are still paper-based.

In inbound tourism, guides play a very important role. However, it has been pointed out that there is a shortage of high-quality guides who can appropriately convey the attractiveness of Japan as a story, rather than simply providing sightseeing guidance, or that there is a lack of an environment in which guides can operate with peace of mind. It is essential to create an ecosystem in which profits are appropriately returned to those involved, including guides, by adding high value through the provision of experience value, thereby creating an ecosystem for reinvestment, improving compensation, and creating an attractive working environment.

Along with the promotion of DX and cashless shopping, it is also important to strengthen crossover information dissemination and promotion using, for instance, anime and manga, including multilingualization.

(2) Export of agricultural, forestry and fishery products and food

With regard to exports of agricultural, forestry and fishery products and food, based on the Export Expansion Action Strategy¹⁰⁵, the government is strongly promoting the following initiatives: all-Japan export promotion centered on certified agricultural, forestry, fishery products and food export promotion organization (hereinafter referred to as “certified commodity organizations¹⁰⁶”); overseas local support through export support platforms; and (3) formation of model production areas for

¹⁰⁴ The government has also compiled a “Package of Measures to Prevent and Curb Overtourism” (October 18, 2023, Ministerial Conference on the Promotion of Tourism Nation) and is promoting the attraction of visitors to regional areas.

¹⁰⁵ The “Action strategy for expanding the export of agricultural, forestry and fishery and foods” (November 2020, Ministerial Meeting on Expansion of the Export of Agricultural, Forestry and Fishery Products and Foods as a Response to Restrictions by Importing Countries). It has been revised repeatedly, most recently in December 2023.

¹⁰⁶ Based on the Law Concerning the Promotion of Export of Agricultural, Forestry, Fishery and Food, the Japanese government recognizes corporations that promote exports through cooperation among related parties from production to sales for each priority export item as an authorized commodity organization.

large-lot exports, and protection and utilization of intellectual property.

Based on the requests of the certified commodity organizations, JETRO implements measures such as conducting surveys and providing information on consumer needs, business practices, regulations, etc. in the target countries and regions of the priority export items, and collaborating in the participation of overseas trade fairs. In addition, in cooperation with Japanese food supporter stores, import trading companies and wholesalers who are familiar with local commercial distribution in the target countries and regions, we are strengthening our support for activities to establish local commercial distribution.

While supporting the marketing activities of certified commodity organizations, JFOODO promotes a combination of several key export commodities to meet local needs by focusing on specific commodities and countries/regions in an all-Japan promotion in cooperation with certified commodity organizations, thereby expanding new demand.

Through these efforts, the export value of agricultural, forestry and fishery products and food, and other products has increased year after year, reaching a record high of 1,454.1 billion yen in 2023. However, in order to achieve the export value target of 5 trillion yen by 2030, the agricultural and food industry must be transformed with a view to growing overseas markets.

Therefore, while promoting diversification of export destinations, we must further promote efforts to expand exports through the formation of export production areas by transforming production and distribution on a regional basis, strengthening approaches to untapped local commercial channels, and supporting the formation of investment projects by Japanese food industry businesses in overseas local processing and distribution facilities.

With China, Russia, Hong Kong, and Macau tightening their import control measures in response to the release of ALPS-treated water¹⁰⁷ into the ocean, it is critical that we work to correct misinformation and immediately abolish import control measures that are not based on scientific evidence, as well as to diversify and develop new export destinations.

There are efforts by foreign leaders of Japanese food to communicate and diffuse the excellence of the food experience in Japan upon returning to their home countries when visiting Japan as inbound tourists, as well as by foreign leaders who manage Japanese restaurants overseas and produce and sell foodstuffs related to Japanese food. Through these examples, it is hoped that awareness and understanding of Japanese food and food culture will deepen, and as the attractiveness of Japanese food grows, the Japanese food industry as a whole will expand, leading to an increase in exports of agricultural, forestry and fishery products and food.

From this perspective, it is vital that efforts be made to promote and spread Japanese food and food culture as a whole overseas¹⁰⁸. In addition, Japanese food has the potential to contribute to the growing global health consciousness and changing lifestyles, thus further increasing the need for a market-in perspective, including an appropriate understanding of needs.

¹⁰⁷ Water containing radioactive materials in the buildings of TEPCO's Fukushima Daiichi Nuclear Power Station that has been purified to meet safety standards for radioactive materials other than tritium.

¹⁰⁸ Furthermore, some are of the opinion that great effects can be expected from integrated promotion of food-related products (e.g., chopsticks and utensils) and crossover efforts with animation and other content.

(3) Overseas development of design, art, beauty and fashion

As for design, it is said that by integrating and disseminating the totality of each region's design resources as Japan Design, it is possible to use it to promote Japan's lifestyle and culture overseas while enhancing its presence in the world, and that design methodologies can be used to discover unique regional characteristics and attractiveness, thereby contributing to regional industrial revitalization, cultural creation, tourism, and other activities¹⁰⁹.

In addition, art and other forms of art not only have economic value in their own right, but also have a ripple effect on other industries, and cultural and creative employment is said to stimulate innovation in those fields¹¹⁰.

As the number of “Japan fans” diversifies and deepens, and more and more Japan fans are willing to pay for the “experience” of “tasting Japan as it is” or “having an extraordinary experience,” in order to promote the creation and expansion of a world view of luxury rooted in the values provided by Japanese brands with the aim of further building a deep Japan fans,, it is important to update local traditions and culture, which can be the source of these values, in a form that fits the modern context and is easily accepted overseas, and to support creators who create new ideas.

Therefore, it is necessary to maximize the utility of Japan's brand value by creating an environment and cases for design and art to be utilized and reinvested in regions and companies, as well as promoting human resource development support to create and expand opportunities for creators to be active.

Beauty (cosmetics), along with content and food, is a field in which Japan has a strong competitive edge in the world. In manufacturing with an eye to overseas expansion, while valuing Japanese culture and technology cultivated in Japan, it is necessary to incorporate the cosmetic culture and other aspects of the destination country. It has been pointed out that people around the world have diverse skin and hair textures and other characteristics, and that Japanese companies, which have developed mainly in East Asia, have a competitive edge in this area in the Asian region compared to global Western companies, which should take advantage of this strength to aggressively expand overseas. In developing overseas operations, it is also important to break away from a business model that relies on domestic demand and develop by capturing overseas demand, particularly in fast-growing Asia¹¹¹.

With regard to fashion, it is important to strategically communicate Japan's unique strengths to overseas markets in order to capture growing overseas demand. In the concept of luxury, the importance of factors including local traditions and culture and individual creativity is increasing. To capture this change, Japan's traditional skills and techniques are required to be developed with higher added value by promoting collaboration with creator human resources (artists and designers).

¹⁰⁹ Based on “Study Group on Future Design Policies,” 3rd Session (March 23, 2023), Secretariat Document (METI).

¹¹⁰ Based on “Report of the Study Group on Art and the Economic and Society” (July 4, 2023, METI).

¹¹¹ On the other hand, since Asia accounts for more than 90% of Japan's cosmetics exports, including China, it is important to diversify the market and develop new markets.

4. Policy/future initiatives¹¹²

(1) Creating a sustainable ecosystem by enhancing the experience value and adding high-value

We will provide products and services that enable customers to experience the value demanded by the world, while keeping in mind the perspectives of “authentic,” “transformative,” and other modern luxuries, working to create high-added value through the value of the experience and to generate profits at prices based on international standards, thereby creating a sustainable ecosystem that will lead to further reinvestment of those profits.

To achieve this, we will collect best practices, systematize and frame them, extract success factors and know-how, and incorporate them into the region for horizontal development. In this process, through collaboration with academia, a mechanism for high value-adding will be established, and efforts will also be made to develop human resources.

- Develop experience content utilizing local resources and create high value-added inbound tourism destinations in rural areas. In this process, in addition to adventure tourism, which allows visitors to deeply experience the essence of Japan through the components of nature, culture, and activities, the contents of eco-tourism and infrastructure tourism will be honed to maximize the attractiveness of the region and disseminated overseas. In addition, consider accompanying and providing support to businesses and other entities (especially new entrants, startups, etc.) that are making these efforts.

【JTA, MOE, Agency for Cultural Affairs, MLIT】

- Create new exchange markets and tourism resources that will lead to an increase in the number of repeat visitors to Japan and higher consumption. In addition, in order to promote regional excursions and long-term stays, comprehensive support will be provided to local communities for their unified efforts, led by the Destination Marketing/Management Organization (DMO).

【JTA】

- To meet the diverse needs of foreign visitors to Japan, secure and train high-quality guides who can appropriately convey the attractiveness of Japan as a story. In the area of food, for which foreign visitors to Japan have high expectations, develop human resources capable of conveying the attractiveness of Japanese food and food culture, as well as disseminate information on food and food culture unique to the region.

【JTA, MAFF】

- To expand the number of priority areas (farm stay SAVOR JAPAN, a region for overseas promotion of food culture) to attract foreign visitors to Japan with the attractiveness of local food and food culture, and to create and refine food experience contents that meet the needs of foreign visitors to Japan, such as authentic-oriented and sustainable tourism, by dispatching experts and other measures.

¹¹² Unlike the content industry described in the previous section, this section describes government initiatives, rather than separating the public and private sectors; however, it is important for the private sector to promote initiatives in cooperation with the public and private sectors by making good use of government support and other means.

By centrally disseminating the attractiveness of food culture and farming, mountain, and fishing villages, as well as experiences that can only be had locally, to overseas consumers, we aim to increase overseas consumers' interest in Japanese food and food culture, and synergistically expand inbound consumption and export markets for agricultural, forestry and fishery products and food.

【MAFF】

- Efforts will be made to increase the number of foreign visitors and consumption, improve productivity, upgrade the management of tourist destinations, and develop and utilize tourism digital human resources. To this end, DX¹¹³ in the tourism sector, including the use of new technologies, will be promoted. Furthermore, support will be provided to attract inbound tourism, such as visualization of local attractions through data analysis, and implementation of over-tourism measures according to the actual conditions of each region.

【JTA】

- In order to promote “farm stay”, which is a type of stay-and-go travel in rural areas, support the development of accommodation facilities utilizing old private homes or other facilities, the development of meal menus and experience/exchange programs utilizing local resources, along with strategic promotion both domestically and internationally.

【MAFF, JTA】

- Through the nationwide development of the maritime industry, a business that takes advantage of local resources unique to fishing villages, such as the high freshness of marine products, fishing experiences, and unique scenery and history, aims to promote exchange and increase consumption of marine products, as well as to secure income and employment opportunities in fishing communities.

【MAFF】

- To improve the attractiveness of stay-and-go experiences in national parks, develop stay-and-go, high-value-added tourism centered on moving experiences in beautiful nature, and contribute to the branding of national parks and attracting visitors from Japan and abroad.

Develop the initiatives of the National Parks Enjoyment Project into national parks across Japan, and improve the environment for receiving visitors by revitalizing and upgrading usage bases, promoting nature experience activities, improving sustainability, as well as promoting adventure travel and sustainable tourism, and disseminating and promoting the attractiveness of national parks domestically and internationally using SNS and digital technology.

Furthermore, in order to accelerate decarbonization in harmony with the preservation of the natural environment, areas that are working on carbon neutrality ahead of others will be designated as “Zero-Carbon Parks” and support will be provided as needed.

【MOE】

- Towards the Expo 2025 Osaka, Kansai, Japan, while further refining and creating tourism content utilizing the best cultural resources, we will develop initiatives throughout the country to

¹¹³ There is an opinion that the visual DX in the region is particularly important.

demonstrate the diversity of Japanese culture and art to the world. In addition, strategic and integrated promotion will be promoted to build momentum for visiting Japan and to attract visitors from the Expo (Osaka/Kansai region) to the regions.

【Agency for Cultural Affairs, Concerned government ministries】

- Develop tourism centers and regions with cultural resources at their core by promoting the development of cultural tourism centers based on the Cultural Tourism Promotion Act¹¹⁴, improving the attractiveness of cultural resources such as Japanese Heritage sites, and strengthening their dissemination.

【Agency for Cultural Affairs, JTA】

- Support efforts to clarify and value food culture, disseminate information and awards to raise awareness of the cultural value of food culture, and organize information on food and food culture unique to the region, thereby protecting, passing on, and utilizing Japan's attractive food culture.

【Agency for Cultural Affairs, MAFF】

- Based on the Cosmetics Industry Vision Study Group's "Vision for the Cosmetics Industry ~ Towards an industry that contributes to people's well-being and global sustainability by promoting Japan Beauty to the world based on advanced Japanese technology and culture~" (April 2021), shift to a business strategy that incorporates new demand, establish a "Japan" brand, shift to a marketing strategy based on the use of digital technology, as well as consider and promote the use of diverse human resources.

【METI】

- To enhance the international competitiveness of the fashion industry, support the transformation to a sustainable business model and ecosystem, create added value through collaboration between creators and local cultural resources, and develop other infrastructure to promote global expansion and entry into the digital market.

【METI】

- Promote initiatives to convert local high-value resources into NFTs and distribute them on a global platform to generate revenue at prices based on international standards. In this process, a mechanism will be studied to ensure that a large number of NFTs are exhibited on the platform while active trading takes place, and support will be provided as necessary.

【Cabinet Office (IP), Concerned government ministries】

- To collect good practices of high value-added activities to unearth and hone local attractiveness, systematize and frame them through collaboration with academia and other organizations, while extracting success factors and know-how. Through workshops and other activities, incorporate these into local communities, develop them horizontally, and train human resources.

【Cabinet Office (IP)】

(2) Developing and expanding new markets by emphasizing the value appeal of a market-in perspective

¹¹⁴ Act on Promotion of Cultural Tourism in Regions Centered on Cultural Tourism Facilities (Tentative translation) (Act No. 18, 2020).

Japan may be able to contribute to the resolution of social issues represented by the SDGs and changes in values and lifestyles, such as the growing health consciousness, through Cool Japan initiatives.

For instance, many people in the world suffer from wheat allergy, yet Japan is promoting the production and export of non-gluten rice flour¹¹⁵ that meets the world's highest standards, which are unparalleled in the world.

Additionally, following the COVID-19 pandemic, there has been an increased awareness of the importance of autoimmunity, leading to a growing global focus on Japan's fermented food culture, along with the growing health consciousness of the world. The global rise in health consciousness has led to an increase in the value of exports of green tea beverages, matcha green tea, and natto (fermented soybeans) made from Japanese soybeans.

Furthermore, in recent years, many major earthquakes have occurred around the world, and the “Instant House”¹¹⁶ developed in Japan through industry-academia collaboration is being deployed as simple housing in disaster-affected areas, with the aim of creating new jobs through local procurement of materials and technical guidance as well as creating a sustainable system in the local community.

As shown above, we will promote initiatives that place even greater emphasis on the market-in perspective of what is truly required from the world.

- Develop new markets and expand existing markets by enhancing the brand value of the company's ability to contribute to changing values and lifestyles, such as solving global social issues and increasing health consciousness, rather than simply selling products. In particular, in exporting agricultural, forestry and fishery products and food and overseas development of food and food culture, we will work to establish standards, create and utilize innovation, and strengthen branding through geographical indications (GI) in order to take advantage of our strengths such as high quality.

【MAFF, National Tax Agency, Concerned government ministries】

- Regarding geographical indication (GI) products that possess qualities, traditions, and stories originating from the natural environment, culture, customs, etc. unique to the region, we will promote efforts to leverage them as one of the tourism resources of the region and to make them widely known, in cooperation with the Tourism Agency and concerned government ministries, as well as with other concerned entities.

¹¹⁵ The JAS for the Production Process Control of Non-Gluten Rice Flour (JAS0014), a standard to control the production process so that the gluten content of the product is less than 1 ppm by identifying areas in the rice flour production process where gluten may be mixed in and preventing gluten contamination. Rice flour and rice flour products are also designated as priority export commodities in the Export Expansion Strategy.

¹¹⁶ This is a simple-to-assemble, instantly functional housing system, with a simple tent membrane and insulation structure that can be easily constructed in a single day and connected to photovoltaic panels and other equipment. The structure is sturdy and has excellent heat and sound insulation properties, and its compact design, which can be carried at 1/100th of its finished size, enables easy transportation and storage, making it possible to quickly construct simple housing during a disaster or emergency evacuation.

【MAFF, Concerned government ministries】

- Based on the “the action strategy for expanding the export of agricultural, forestry and fishery products and foods” in order to further expand exports of Japanese alcoholic beverages, we will actively work to increase awareness through international promotions and expand sales channels by supporting matching between Japanese alcoholic beverage businesses and overseas buyers. In addition, in order to differentiate and add value to products, support efforts of sake breweries to create brands, overseas development, and sake brewery tourism, as well as promote and utilize geographical indication (GI) and provide technical support.

【National Tax Agency】

- Capture changes in values and lifestyles in the world and strengthen functions such as collecting and sharing overseas marketing information from the perspective of what is truly in demand and what Japan's attractiveness can contribute.

【Cabinet Office (IP), Concerned government ministries】

- In order to prevent the distribution of counterfeit products of Japanese agricultural, forestry and fishery and food overseas, measures against infringement of unauthorized use will be promoted through the creation of a framework for mutual protection of geographical indication (GI) with foreign countries, surveys of overseas local markets and overseas EC sites, and operation of consultation services for information on suspected counterfeit products of agricultural, forestry and fishery products and food.

【MAFF, MOFA, JPO】

- As society and people's values change, SDGs and ESG investment are becoming increasingly important, and the Cool Japan Fund Ins. will clearly recognize that among the various social issues facing the world in the future, Japan can play to its strengths in areas such as disaster prevention, super-aging society, and circular economy, aiming to support the development of demand from overseas.

【METI】

(3) Enhancing design and art features

Through aesthetic enhancement and innovation, design improves the quality of the customer experience, leading to the creation of tourism content that takes advantage of regional characteristics, the promotion of local industries, and cultural creation. Art has the effect of discontinuously improving the value of content, thus stimulating industries other than the cultural and creative industries¹¹⁷.

Accordingly, strengthening functions related to design and art will not only lead to the growth of the cultural and creative sector, but will also have a positive impact on Japanese society as a whole, such as improving corporate value, creating local culture, and enhancing the creativity of society, thereby raising the level of Cool Japan initiatives by utilizing the functions of design and art to achieve a cross-sectional approach. For this purpose, we will work on archiving design, actively

¹¹⁷ In addition, it is expected that promoting the arts will increase interest in Japan among wealthy foreign residents, leading to a significant economic impact from inbound tourism.

utilizing works of art, etc., and attracting international art fairs to Japan.

- To promote the global development of Japanese culture, build a network of artists, curators, creators, etc., mainly in Asia, and formulate “new values” of art, including pop culture, in a context different from that of Western art history, aiming at the sustainable implementation of international initiatives to disseminate these values to the world.

【Agency for Cultural Affairs】

- To encourage local governments and businesses to invest in art and to create an environment in which funds can be returned to artists and others, actively open public spaces and idle spaces in the community to artists and others, and actively utilize underutilized artworks owned by businesses and others. Through the strengthening of these foundations, develop an environment that encourages the production of world-class artists.

【METI】

- Establish a foundation for utilizing design resources such as industrial products of Japanese companies that have shaped Japan's world-class lifestyle culture and fashion, including kimono, that are preserved by museums and companies in Japan. Accordingly, while reinforcing the competitiveness of its own industries and fostering the next generation of designers, refer to overseas cases where such resources are also utilized as tourism resources, as well as promote the study of the ideal archive for the future era in cooperation with domestic institutions that own artworks.

【METI】

- To realize the internationalization and revitalization of the Japanese art market, establish an environment and system to attract international art fairs and auctions to Japan as well as to bring in customers from overseas markets.

【Agency for Cultural Affairs】

- Make efforts related to the international dissemination of art at international events.

【Agency for Cultural Affairs】

- Advance the introduction of international standards and system development toward standards for the management of artworks and cultural properties, as well as the establishment of a price evaluation business certification system toward the establishment of a foundation for the promotion of distribution in the Japanese art market, and the development of a system to realize objective price evaluations.

【Agency for Cultural Affairs】

(4) Strengthening innovation and human resource development

To earn foreign currency on an international level basis, we will generate innovation, provide new products and services, as well as promote high-value-added products and services¹¹⁸. To earn

¹¹⁸ There is an opinion that there are high expectations for initiatives utilizing temples, shrines, and Buddhist temples as a means of adding value by taking advantage of Japan's wonderful attractions. Although some temples

foreign currency on an international level basis, we will generate innovation, provide new products and services, as well as promote high-value-added products and services. To this end, we will support SMEs and startups that generate innovation, and develop an environment that facilitates new entrants, while facilitating initiatives that make use of new technologies.

In addition, secure and train producers, including the use of foreign nationals, and develop DX human resources and guides¹¹⁹. Furthermore, an environment that facilitates the activities of these producers and others will be developed.

- Support SMEs that promote high value-added products and services by developing innovative products and services, foster startups, and create an environment that makes it easier for new businesses to enter the market. Furthermore, promote initiatives utilizing new technologies such as blockchain/Web3, NFT, AI, Metaverse, and VR.

【METI, Cabinet Office (IP), Concerned government ministries】

- Based on the fact that efforts¹²⁰ are being made through innovation in the overseas development of agricultural, forestry and fishery products and food other products, engage in the development of markets in countries and regions where overseas development has been difficult in the past and in the dissemination of Japanese food and food culture.

【MAFF】

- When attempting to provide unprecedented high value-added services, regulations and systems may become barriers. In the government, various regulatory reform-related systems have been established, including the Council for Regulatory Reform, the Special Zone System including the National Strategic Zone System, the Regulatory Sandbox System (a demonstration system for new technologies), and the Gray Zone Elimination System. In addition, a centralized contact center has been established to provide advice on the use of various systems. Through further promotion of the use of these systems and contact points, such as by making them more widely known, we will promote the regulatory reforms necessary for the provision of high value-added services.

【Cabinet Office(Office for Promotion of Regulatory Reform, Secretariat for Promotion of Regional Revitalization), Cabinet secretariat (Secretariat of New Form of Capitalism Realization Headquarters), METI】

and shrines have already taken action, it is still insufficient. It is crucial to promote all-Japan efforts, including improvement of social acceptability, while giving due consideration to methods.

¹¹⁹ There is a strong need to train high-quality guides who can appropriately tell the story of Japan's attractions tailored to the needs of visitors.

¹²⁰ For instance, the third freshness preservation technology (ZEROCO), which originated in Japan and is the third most advanced technology (after refrigerators and freezers) for keeping food ingredients and food products fresh and of high quality for long periods of time by creating a low-temperature, high-humidity storage environment.

[Reference] Examples of systems that can be utilized

- Council for Regulatory Reform [Cabinet Office (Office for the Promotion of Regulatory Reform)]
< <https://www8.cao.go.jp/kisei-kaikaku/index.html> >
 - Regulatory/Administrative Reform Hotline [Cabinet Office (Office for the Promotion of Regulatory Reform)]
< https://form.cao.go.jp/kokumin_koe/opinion-0016.html >
 - National Strategic Zone System 【Cabinet Office (Secretariat for Promotion of Region Revitalization)】
< <https://www.chisou.go.jp/tiiki/kokusentoc/index.html> >
 - Regulatory Sandbox System 【Cabinet secretariat (Secretariat of New Form of Capitalis Realization Headquarters), METI】
< <https://www.cas.go.jp/jp/seisaku/s-portal/regulatorysandbox.html> >
 - Gray Zone Elimination System, New Business Special Exception System 【METI】
< https://www.meti.go.jp/policy/jigyousaisei/kyousouryoku_kyouka/shinjigyo-kaitakuseidosuishin/index.html >
 - Startup Challenge Support Project 【Organization for Small and Medium Enterprises at Regional Innovation"】
< <https://www.smtj.go.jp/venture/bace/reboot/> >
 - Taskforce on New Market Creation for Startups 【METI】
< <https://www.meti.go.jp/press/2022/04/20220426005/20220426005.html> >
 - Centralized Service Desk 【Cabinet secretariat (Secretariat of New Form of Capitalis Realization Headquarters)】
< <https://www.cas.go.jp/jp/seisaku/s-portal/pdf/underlyinglaw/ichigenmadoguchi.pdf> >
- Build a network of foreign producers who develop Japan's attractiveness and create partnerships in various fields. Create a network of foreign producers who can produce inbound tourism in collaboration or fusion of the following fields: “content” × “inbound” (e.g., animation tourism), “food” × “inbound tourism” (e.g., farm stay and sake brewery tourism), or “nature/cultural experience” × “inbound tourism” (e.g., adventure tourism).
【Cabinet Office (IP), Concerned government ministries】
- To meet the diverse needs of foreign visitors to Japan, secure and foster high-quality guides who can appropriately convey the attractiveness of Japan in the form of stories. In the area of food, for which foreign visitors to Japan have high expectations, promote the development of human resources capable of conveying the attractiveness of Japanese food and food culture, while disseminating information on food and food culture unique to the region.(reprinted)
【JTA, MAFF】
- Support the invitation of producers and advisors to the region in order to upgrade the human resources and leaders of Cool Japan in the region. Furthermore, collaborate with local academia to support initiatives in the region.
【Cabinet Office (IP), Concerned government ministries】

(5) Addressing risk of international politics and the economic situation

With regard to exports of agricultural, forestry and fishery products and food, in response to the overseas cases of import restrictions on ALPS-treated water and other issues, we will work to correct misinformation and immediately abolish import control measures that are not based on scientific evidence, as well as to diversify and develop new export destinations¹²¹. As for inbound tourism, in consideration of the international political and economic situation, we will work to diversify and diversify markets and develop new markets in order to build a portfolio consisting of a variety of countries and regions as sources of origin.

In addition, as in the case¹²² where exports of Japanese sake were almost banned due to the introduction of new regulations on food packaging in the EU, we will keep abreast of international trends in various regulations and respond appropriately.

- To avoid excessive dependence on a few countries/regions as export destinations for agricultural, forestry and fishery products and food and inbound destinations, the government will diversify export destinations and develop new markets, while properly understanding the needs of overseas markets.

【MAFF, National Tax Agency, JTA】

- Grasp trends in overseas regulations, and respond appropriately at both the government and private sector levels and through respective channels to ensure that exports of Japanese agricultural, forestry and fishery products and food will not be adversely affected.

【MAFF, National Tax Agency, MOFA, Concerned government ministries】

(6) Strengthening Communications

To increase the number of Japan fans and improve Japan's brand value, we will strengthen our ability to communicate Japan's attractiveness to many countries and regions, including decision-makers in political and business circles and wealthy individuals in each country and region¹²³. In this process, effective communication will be conducted by concerned government ministries through inter-disciplinary, public-private sector collaboration, and promotion in terms of aspects rather than points. Regarding these initiatives, we will develop data that will serve as KPI, visualize these initiatives, as well as confirm their progress based on the data.

- With regard to the promotion of the attractiveness of Japan through Overseas Diplomatic Establishments, JAPAN HOUSE, and the Japan Foundation in response to the demand of each country and region, appropriate promotional activities in cooperation with concerned government

¹²¹ MAFF has already taken some actions such as supporting the transfer of scallop shelling and other processing operations to countries other than China.

¹²² In the EU, a regulation is to be introduced in 2030 requiring businesses that manufacture and sell food products to recycle or reuse a certain percentage of their containers; after the Japanese government lobbied the EU authorities, sake bottles are expected to be exempted from the reuse requirement.

¹²³ Given the differences between countries/regions and the diversification of Japan fans, attention should be paid to devising the content and methods of conveying information.

ministries and the private sector, as well as lectures, performances, exhibitions, screenings, and other cultural activities related to a wide range of fields will be implemented, utilizing online services, and strategic public relations and cultural activities will be developed.

【MOFA, Cabinet Office (IP), Concerned government ministries】

- Make further use of and strengthen JAPAN HOUSE's capacity to disseminate information. To this end, attention should be paid not only to the transmission of information, but also to securing commercial distribution and other aspects so that the transmission of information at JAPAN HOUSE will lead to business.

【MOFA, Cabinet Office (IP), Concerned government ministries】

- Regarding the dissemination of information from concerned government ministries and other related organizations, coordinate with each other, including the use of SNS to diffuse the information, and further enhance the ability to disseminate the information by utilizing their respective knowledge and resources, as well as strengthen the dissemination of information through the government's international PR.

【Cabinet Office (Government Public Relations), Concerned government ministries】

- Examine and continue to implement measures for top sales utilizing the strong IP that Japan has cultivated, such as anime and manga characters, during the visits of government leaders and business leaders to foreign countries, international conferences, and overseas events.

【Cabinet Office (IP), Concerned government ministries】

- Aiming to increase exports of agricultural, forestry and fishery products and food and other products, promote not only individual items but also the attractiveness of Japanese food and food culture overall, as well as promote food-related products, such as tableware and chopsticks, in an integrated manner to raise awareness and penetration of Japanese food and food culture in overseas markets.

【MAFF, National Tax Agency, Concerned government ministries】

- Regarding the traditional Japanese sake brewing technique using koji bacteria, in order to hand down the technique to the next generation and to increase global recognition of the technique, we aim to register the technique as a UNESCO's Intangible Cultural Heritage and engage in various educational activities, such as holding symposiums.

【National Tax Agency, Agency for Cultural Affairs】

- Expo 2025 Osaka, Kansai, Japan is expected to bring 3.5 million foreign visitors to Japan during the period of the Expo, making it an excellent opportunity to showcase Japan's attractions to the rest of the world. To maximize this opportunity, not only concerned government ministries but also the public and private sectors will collaborate in various fields related to Cool Japan, such as tourism, food, and culture, both inside and outside the Expo site and before and after the event period, working together to promote the appeal of Japan through all-Japan efforts.

【Cabinet Office (IP), JTA, MAFF, National Tax Agency, Agency for Cultural Affairs, Cabinet secretariat(Expo), Concerned government ministries】

- Some fans of Japan may use their visit to Japan as an opportunity to expand their own interests, leading to business through various forms of co-creation. While increasing the number of such

foreigners residing in Japan, actively utilize the foreign network of Japan fans in order to unearth and hone Japan's attractiveness from a foreigner's perspective, enhancing its dissemination to overseas. Therefore, issues¹²⁴ to increase the number of foreign entrepreneurs active in Japan and foreign students studying in Japan will be identified, and efforts will be made to improve the environment.

【Cabinet Office (IP), Ministry of Justice, MEXT, FSA, MLIT, Concerned government ministries】

- International students play a significant role in promoting mutual understanding and friendship with other countries, as well as in actively communicating Japan's various attractiveness to the rest of the world. Therefore, based on the Second Proposal of the Council for the Creation of the Future of Education¹²⁵, promote inter-university cooperation with foreign countries, internationalization of universities in cooperation with local communities, and the development of an environment for the exchange of foreign students.

【MEXT】

- In the Cool Japan Public-Private Partnership Platform, in addition to the existing efforts to unearth and hone the attractiveness of local regions, strengthen the dissemination of information from foreigners residing in Japan and overseas in cooperation with domestic and foreign media and others, aiming to increase the number of fans of Japan.

【Cabinet Office (IP)】

- Regarding the government's support measures and tools for industries related to Cool Japan, systematically organize and create a menu with reference to cases¹²⁶ of startup support measures, as well as the Cool Japan-related budget and related statistics, indicators, and data, providing them in a centralized and user-friendly form. In addition, share and enhance coordination of support policies among the various support organizations. Furthermore, data necessary for the measurement of target values will be prepared.

【Cabinet Office (IP), Concerned government ministries】

- To deepen cooperation between Cool Japan Fund Inc. and concerned government ministries, and other related organizations, the public-private partnership platform for Cool Japan will be utilized to provide information on global perspectives and new initiatives to Cool Japan Fund Inc. and to share information and support cooperation with members who have participated in the platform regarding investment projects already made by Cool Japan Fund Inc.

【METI, Cabinet Office (IP)】

¹²⁴ Some have pointed out that there are some issues related to the status of residence and that it is difficult to open an account at a financial institution during the initial period (6 months) of their stay in Japan. Regarding the status of residence, a special exception system (Startup Visa) has been established for the purpose of starting a business, and a status of residence for the purpose of cultural activities has also already been established. In addition, the FSA has issued a notice to financial institutions to allow foreign nationals with business start-up status to open a bank account under certain conditions even before six months have passed since their arrival in Japan.

¹²⁵ “Japan-Mobility and Internationalisation: Re-engaging and Accelerating Initiative for future generations” (April 27, 2023, Council for the Creation of the Future Education).

¹²⁶ Refer to the previous note (92)