Section 2
Challenges to Achieving 60 Million Inbound Visitors: Toward a Sustainable Inbound Tourism Strategy

INADA, Yoshihisa; MATSUBAYASHI, Yoichi; NOMURA, Ryosuke

Introduction

As seen in Section 1, the number of foreign visitors to Japan has recovered rapidly since the COVID-19 pandemic and continues to show steady changes. However, the supply level has not been maintained or expanded sufficiently to meet inbound tourism demand, leading to emerging supply constraints. Section 2 examines the feasibility of achieving the government target of 60 million visitors, considering both the demand and supply sides of the tourism industry. Furthermore, it identifies the challenges highlighted by three imbalances surrounding inbound tourism demand and examines strategies for sustainable inbound tourism.

1. Possibility of Achieving the Government's Target of 60 Million Inbound Visitors to Japan

(1) The Widening Supply-Demand Gap

Already in 2016, responding to the rapid increase in inbound visitors the previous year, the government raised its targets from the previous goals of 20 million by 2020 and 30 million by 2030 to 40 million and 60 million, respectively (Prime Minister's Office, 2016). Although the COVID-19 pandemic subsequently put the achievement of this target on hold, the government has not abandoned the goal itself. Considering the sharp recovery in inbound tourism in 2024, discussing the feasibility of achieving 60 million visitors by 2030 is not far-fetched.

Figures 5-2-1 and 5-2-2 illustrate the relationship between the supply of workers in the lodging industry based on new population projections through 2030 and the labor demand required to achieve the government's inbound visitor targets (60 million and 40 million cases). A key feature of this analysis is that it examines the feasibility of achieving the government targets from both the demand and supply sides of the tourism industry[1]. First, regarding inbound tourism demand, considering the current trend, we can project the

1) For detailed calculations, see Inada and Nomura (2024).

number of foreign visitors to Japan for the period 2024-2030 needed to achieve 60 million visitors by 2030. On the other hand, given the declining population, significant growth in domestic tourism demand cannot be expected; therefore, it is projected to remain constant (zero growth) going forward, which is not an unreasonable assumption. In this way, the total tourism demand facing the industry in the future can be estimated from the combined demand of foreign and Japanese tourists. As the figure shows, tourism demand in 2030, with 2024 = 100, is projected to be at 115.6 nationwide and 123.8 in the Kansai region.

The issue lies in the projected labor supply for the lodging and food service industries that provide these services. This was estimated based on the latest Population Estimates from the National Institute of Population and Social Security Research. Labor supply in the lodging and food service industries is projected to decline from 2024 to 2030, with the 2030 figure at 98.1 compared to 2024=100. Based on this projected labor supply, we calculated the gap rate ((labor supply - tourism demand) / tourism demand) required to achieve the aforementioned government target.

According to the results of calculations, the nationwide labor supply-demand gap rate (actual number) in the lodging and food service industries will be -15.1% (-536,000 people) for the 60 million visitor case in 2030 and -3.9% (-138,000 people) for the 40 million visitor case (Figure 5-2-1).

For the Kansai region specifically, the gap rate is -21.0% (-132,000 people) for the 60 million visitor target case and -5.3% (-34,000 people) for the 40 million visitor case (Figure 5-2-2).

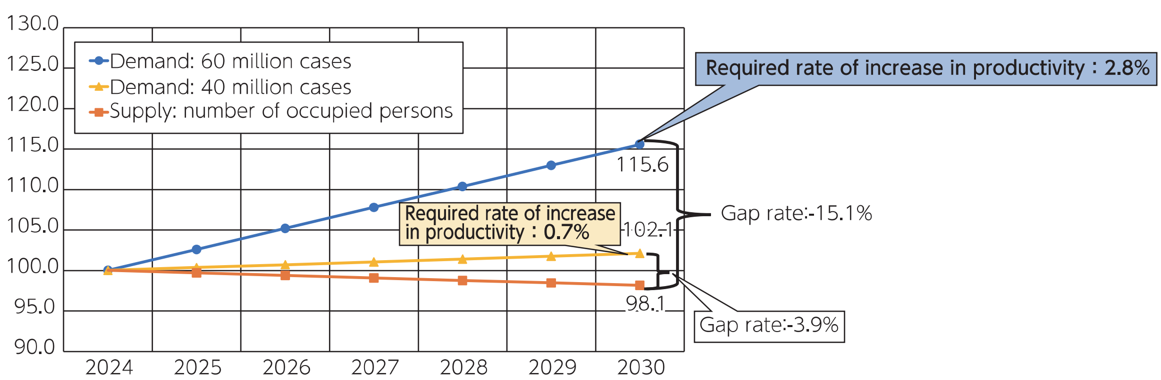

Figure 5-2-1 Supply and Demand Forecasts and Required Productivity Increases in the Accommodation and Food Service Industry: Nationwide

Source: Prepared by the authors

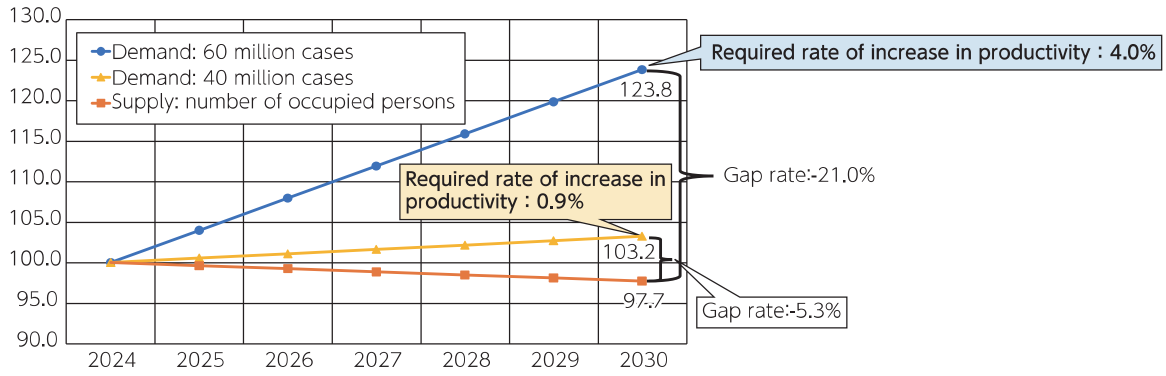

Figure 5-2-2 Supply and Demand Forecasts and Required Productivity Increases in the Accommodation and Food Service Industry: Kansai

Source: Prepared by the authors

(2) Eliminating the Supply-Demand Gap

To eliminate the labor supply-demand gap in the target year, the efficiency of labor supply (labor productivity) providing services must increase relative to the growth in tourism demand. This estimate calculates the future supply-demand gap rate based on the projected tourism demand and the labor supply ratio for the lodging and food service industries in 2024. Based on these figures, we estimated the required improvement in labor supply efficiency (labor productivity growth) needed to meet tourism demand.

2. Three Imbalances in Inbound Tourism

Section 2.2 analyzes three imbalances surrounding inbound tourism demand: 1) inbound versus outbound tourism, 2) inbound versus domestic tourism, and 3) inbound tourism in urban areas versus rural areas. It identifies the challenges highlighted by these three imbalances and examines strategies for sustainable inbound tourism.

(1) Imbalance Between Inbound and Outbound Tourism

The first imbalance concerns the relationship between the number of foreign visitors to Japan (inbound Tourism) and the number of Japanese citizens traveling abroad (outbound Tourism).

Figure 5-2-3 shows the change in the number of foreign visitors to Japan and Japanese citizens traveling abroad from 1970 to the present year, 2024. The number of Japanese travelers leaving Japan showed an increasing trend from

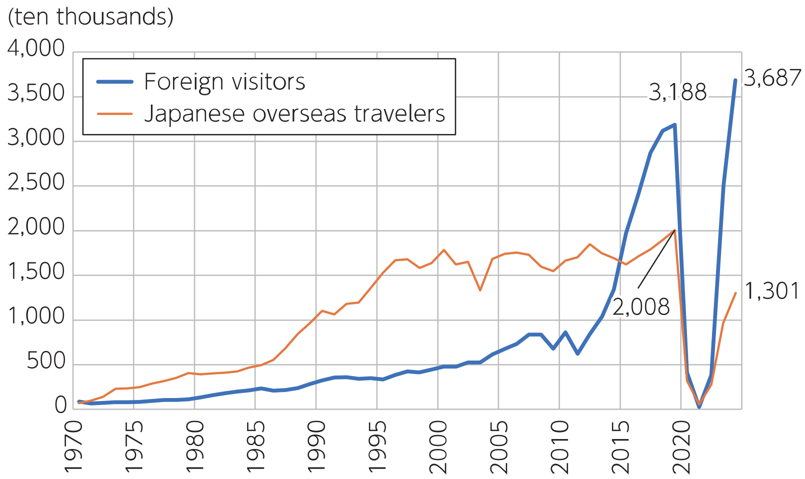

Figure 5-2-3 Change in Inbound Foreign Visitors and Outbound Japanese Travelers: 1970-2024

Source: Prepared by the authors based on Japan National Tourism Organization (JNTO) 'Inbound Visitor Statistics'

1985 to 1995 but has remained largely unchanged since then[2]. In 2019, it reached 20.08 million, achieving the government's target of 20 million Japanese overseas travelers by 2020 ahead of schedule[3]. However, in 2020, international travel experienced a significant decline due to the government's stringent border control measures implemented in response to the global spread of the COVID-19. This decline resulted in a substantial decrease in the number of Japanese departures. Although the number of Japanese departures has gradually recovered since 2021, it stood at 13.01 million in 2024, which is still 35.2% below the 2019 level. It has not yet returned to pre-pandemic levels. Conversely, the number of foreign visitors to Japan has exhibited a consistent upward trajectory since 2003, partially attributable to the efficacy of government-initiated promotional campaigns, such as the Visit Japan Campaign. By 2015, they surpassed the number of Japanese citizens leaving the country. Since that time, the number of foreign visitors to Japan has continued to demonstrate an upward trend, reaching 31.88 million in 2019, which is significantly more than the number of Japanese citizens who have left the country.

During the COVID-19 pandemic, international visitors to Japan plummeted, similar to the number of Japanese citizens leaving the country. However, they rebounded sharply from 2022 onward, reaching 36.87 million in 2024—well above pre-pandemic levels. Thus, the imbalance between inbound and outbound

2) The Japan Tourism Agency (2018) attributes the sluggish outbound Tourism demand since the 2000s to: 1) structural factors like domestic economic stagnation and exchange rate trends, and 2) external and sudden factors such as the 9/11 terrorist attacks, the Iraq War, SARS (Severe Acute Respiratory Syndrome), and the Global Financial Crisis.

3) For detailed government targets, refer to Japan Tourism Agency (2017).

travel persists and remains unresolved. A key factor behind this is the decline in overseas travelers, particularly among younger generations[4]. As noted by Nikkei (2024), various factors contribute, including difficulties taking vacation time and the persistent weak Japanese yen. However, stagnant income growth, specifically wages, is considered a major factor. In Japan's persistently low-growth economy, stagnant incomes mean people lack the financial leeway for overseas travel, which is the core challenge for outbound travel.

(2) Imbalance Between Inbound and Domestic Tourism

The second imbalance, as noted in Section 1, is that while the number of inbound visitors to Japan continues to show a steady change, the number of domestic travelers is struggling to increase. As explained below, this imbalance stems from both short-term factors and medium-to-long-term factors.

The key short-term factor is the surge in accommodation costs[5]. Figure 5-2-4 shows the change in the growth rates of total overnight stays by Japanese residents and foreign residents nationwide. While total overnight stays by foreign residents, which rebounded sharply from the COVID-19 pandemic, have

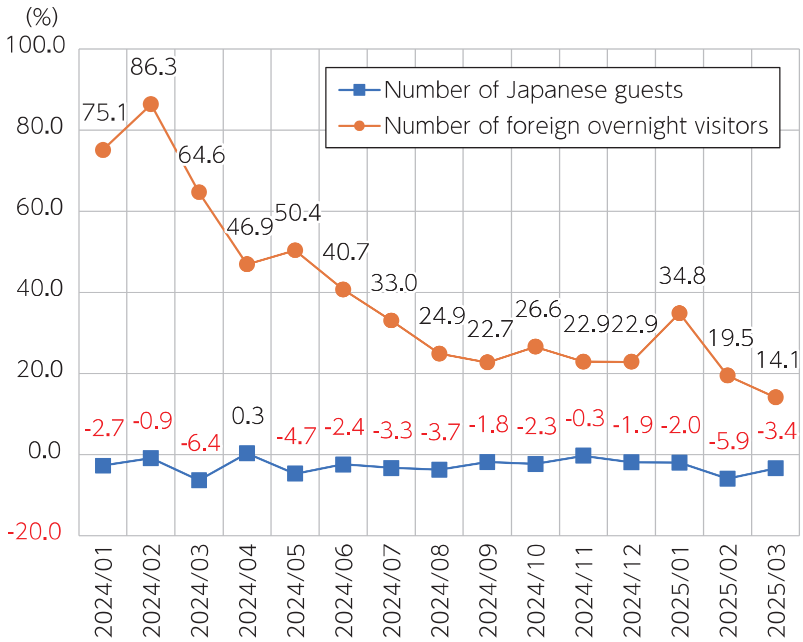

Figure 5-2-4 Change in Japanese and Foreign Overnight Visitors: Nationwide: January 2024 - March 2025: YoY

Source: Prepared by the authors based on the Japan Tourism Agency "Accommodation Travel Statistics Survey"

4) Japan Tourism Agency (2018) also notes that the declining birthrate has reduced the number of young people in their 20s traveling abroad. It further states, "Beyond securing travel funds, strong concerns are observed regarding the preparatory steps for travel, such as passport acquisition procedures and arranging flights and accommodations."

5) However, the current surge in accommodation costs may persist over the medium to long term.

continued to grow at double-digit rates YoY, total overnight stays by Japanese residents have tended to remain below the previous year's levels, except for April 2024. This trend is likely driven by sluggish real wage growth amid rising accommodation costs.

Figure 5-2-5 shows the relative relationship between lodging fees and total cash compensation (wages) (indexed with 2019=100)[6]. This could be considered real wages measured by lodging fees. Examining this index (terms of trade), it deteriorated by 8.5 points in 2023 and 18.2 points in 2024 from the 2019 level.

The situation surrounding lodging fees and wages during this period suggests that conditions have rapidly worsened for Japanese citizens (decline in domestic travel), while foreign visitors benefiting from yen depreciation have been largely unaffected (robust growth in inbound tourists).

Next, regarding medium- to long-term factors, the following three points are noted[7]. The first factor concerns the change in nominal income. As confirmed in Figure 5-1-6 of Section 1, which shows the change in domestic travel

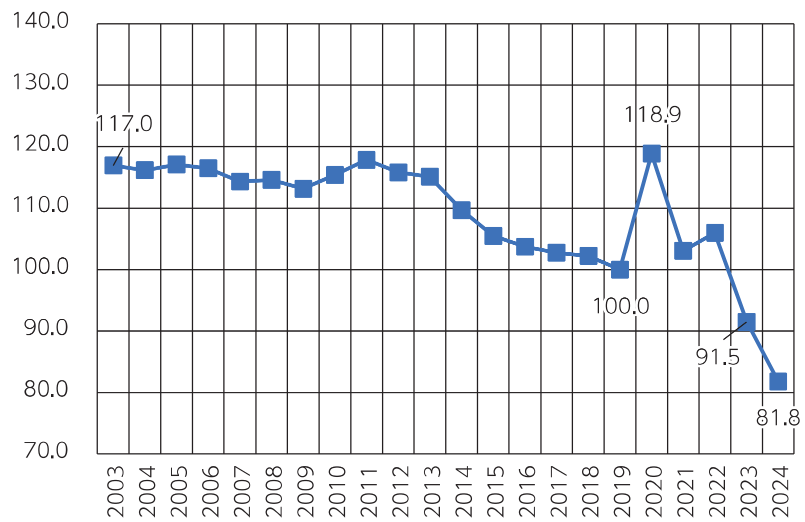

Figure 5-2-5 **Real Wages Measured by Lodging Costs (Total Cash Wages/ Lodging Costs, 2019=100)**

Source: Compiled from the Ministry of Internal Affairs and Communications Statistics Bureau's 'Consumer Price Index' and the Ministry of Health, Labour and Welfare's 'Monthly Labour Survey'

6) This index represents the terms of trade (income/cost) in corporate finance. A declining value indicates that costs (accommodation fees) are rising relative to income (total cash wages), creating a situation where domestic tourists find it increasingly difficult to afford lodging. Conversely, for foreign visitors to Japan (e.g., Americans), if their income denominated in their home currency (dollars) remains largely unchanged, the surge in Japanese accommodation prices (denoted in yen) is partially offset when converted to dollars due to a strong dollar and weak yen. In other words, while rising accommodation costs significantly worsen the terms of trade for Japanese tourists, making lodging difficult, for foreign tourists, under conditions of appreciation of their home currency (or yen depreciation), the terms of trade for lodging do not necessarily worsen and are less likely to become a constraint on lodging.
7) These points are similarly noted in Japan Tourism Agency (2025).

numbers from 2011 to 2024, the slump in domestic travel numbers is not a short-term phenomenon of recent years but has been evident since the early 2010s. Furthermore, Figure 5-2-6 in Section 2 shows real wages measured by accommodation costs over approximately 20 years since 2003. While real wages declined rapidly after 2023 when accommodation costs began to surge, they had shown no growth whatsoever since the early 2000s. In other words, the fundamental cause of the medium-to-long-term decline in domestic travelers can be attributed to the lack of growth in nominal wages—that is, nominal income—amidst prolonged economic stagnation.

The second factor is demographic, including aging and population decline. Generally, older individuals tend to reduce their travel frequency due to health concerns and physical limitations. Consequently, the progression of an aging society is highly likely to trend toward a decrease in domestic travel. Furthermore, with the domestic population itself showing sluggish growth, robust increases in the number of travelers are difficult to expect in the first place.

The third factor is the circumstances surrounding Japan's labor practices.

While Japan's system permits the taking of paid leave, in practice, various circumstances make it difficult to take leave, making it hard to secure a solid block of days for travel. Consequently, travel tends to concentrate around consecutive holidays, leading to soaring accommodation costs during these periods, which also acts as a significant barrier to travel.

The three factors outlined above contribute not only to sluggish domestic travel but also to stagnant growth in overseas travel, representing medium-to-long-term structural factors affecting travel both within and outside Japan.

(3) Imbalance Between Urban and Rural Tourism

The third imbalance concerns the situation of foreign visitors to Japan in urban areas (urban tourism) versus rural areas (rural tourism).

Figure 5-2-6 shows the visit rates of foreign visitors to Japan by prefecture for 2024. As the figure illustrates, foreign visitors are concentrated in certain areas known as the "Golden Route," such as Chiba prefecture (36.6%), the Tokyo metropolis (51.5%), Kyoto prefecture (29.5%), Osaka prefecture (39.6%), and Fukuoka prefecture (11.2%)[8]. Conversely, other regions show low visit rates, revealing a clear disparity with the aforementioned prefectures. This highlights

8) The "Golden Route" refers to the classic tourist route in Japan visited by foreign visitors. It is popular because it allows visitors to efficiently see Japan's standard tourist destinations while keeping costs down. Particularly popular Golden Routes include circuits around Tokyo and Hakone, the Mount Fuji area, Nagoya, Kyoto, and Osaka. For more detailed information, refer to Honichi Lab (2019).

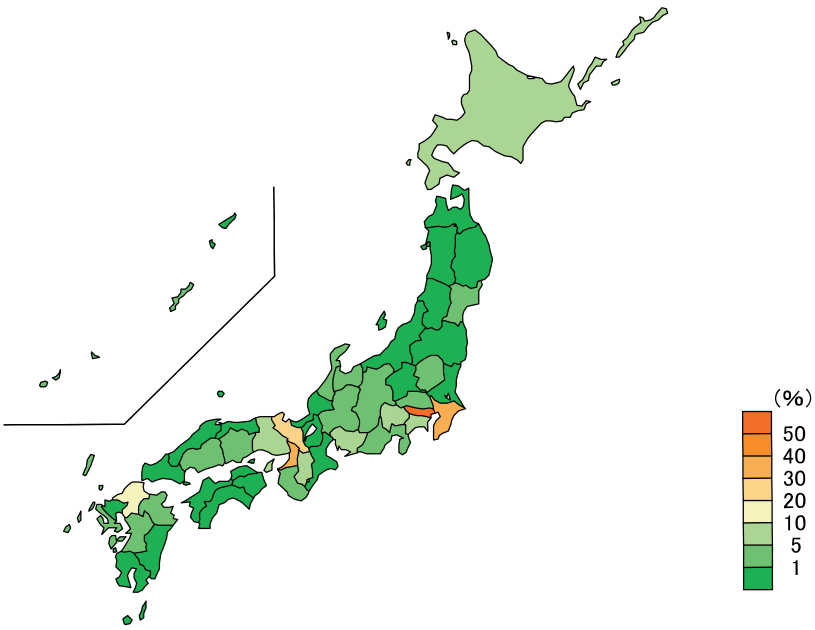

Figure 5-2-6 Visit Rates of Inbound Foreign Visitors by Prefecture: 2024

Source: Prepared by the authors based on the Japan Tourism Agency "International Visitor Survey"

the challenge of attracting visitors to regional areas.

Additionally, let us examine the imbalance in foreign visitors to Japan between urban and rural areas using separate statistics. Figure 5-2-7 compares the total number of overnight stays by Japanese and foreign visitors in 2024 for the entire country, the three major metropolitan areas[9], and rural areas. Nationwide, Japanese visitors accounted for 494.6 million overnight stays (75.0%), while foreign visitors accounted for 164.47 million overnight stays (25.0%).

Looking at the three major metropolitan areas, Japanese guests accounted for 186.18 million stays (62.1%), while foreign guests accounted for 113.60 million stays (37.9%). This shows the foreign guest ratio is 12.9 percentage points higher than the national average. In contrast, regional areas recorded 308.42 million overnight stays by Japanese residents (85.8%) and 50.86 million overnight stays by foreign residents (14.2%). While the foreign resident ratio is lower than the national average and the three major metropolitan areas, it is evident that the total number of overnight stays is supported by Japanese residents.

Let's examine the rate of Japanese to foreign overnight stays in each prefecture of the Kansai region (Figure 5-2-8)[10]. Looking at Osaka and Kyoto

9) The three major metropolitan areas here refer to the eight prefectures of Tokyo, Kanagawa, Chiba, Saitama, Aichi, Osaka, Kyoto, and Hyogo. The regional areas refer to prefectures outside these three major metropolitan areas.

10) Here, "Greater Kansai" refers to the 2 prefectures and 8 prefectures (Fukui, Mie, Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama, Tottori, Tokushima).

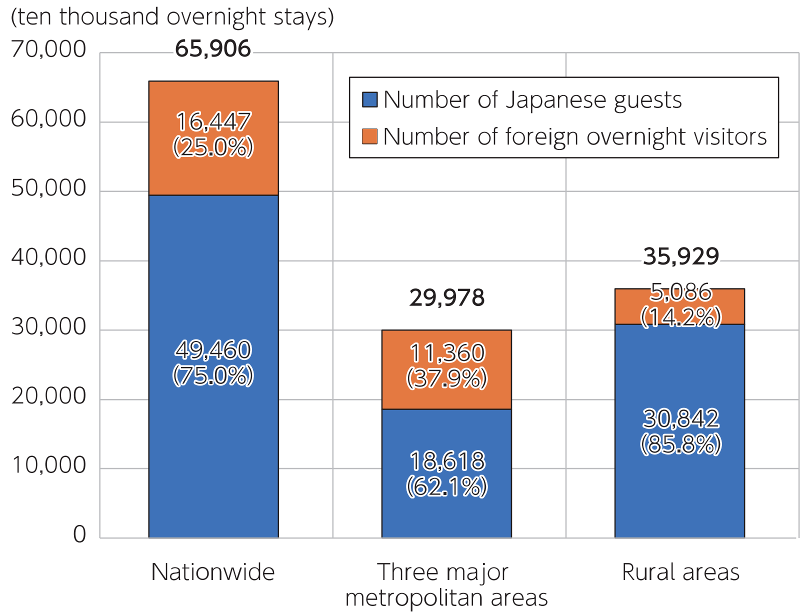

Figure 5-2-7 Rate of Japanese and Foreign Overnight Visitors Nationwide, in the Three Major Metropolitan Areas, and in Regional Areas: 2024

Note: Final figures
Source: Prepared from the Japan Tourism Agency 'Overnight Travel Statistics Survey'

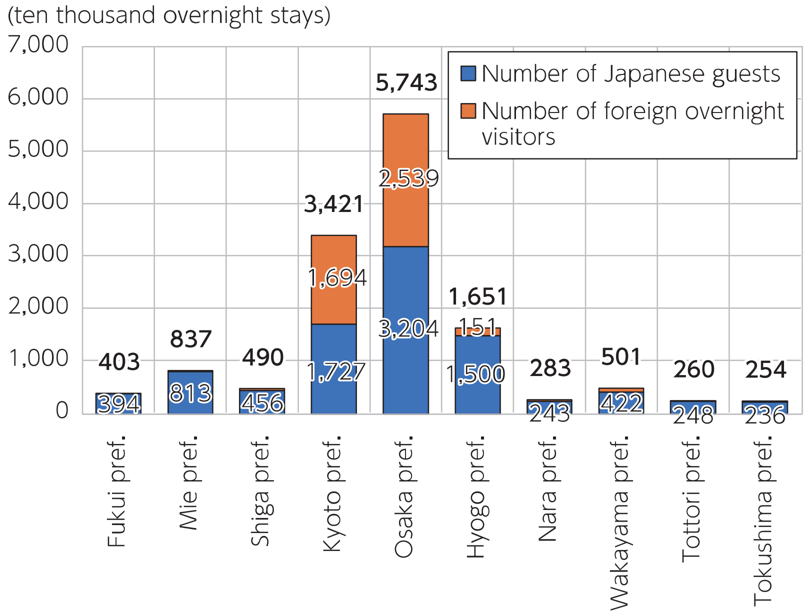

Figure 5-2-8 Rate of Japanese and Foreign Overnight Visitors in Kansai: 2024

Note: Final figures
Source: Prepared from the Japan Tourism Agency "Overnight Travel Statistics Survey"

prefectures, the rate of Japanese overnight stays was 32.04 million and 17.27 million, respectively. On the other hand, the total number of foreign overnight stays was 25.39 million in Osaka prefecture and 16.94 million in Kyoto prefecture, with foreign rates of 44.2% and 49.2% respectively—very high figures. Looking at other prefectures, the rate of Japanese guests is higher compared to foreign guests. Thus, even within Greater Kansai, foreign overnight stays are concentrated primarily in areas like Osaka and Kyoto prefectures. In other regions, the foreign guest ratio is low, and the industry is supported by Japanese guests.

To summarize the content thus far, it can be illustrated as shown in Figure 5-2-9.

First, compared to inbound travel by foreigners, outbound travel by Japanese citizens has been sluggish (Figure 5-2-9(A)). This imbalance can be summarized as reflecting domestic medium- to long-term structural issues in the sluggish outbound travel.

In Japan, where economic stagnation has persisted for an extended period, an inward-looking orientation may be beginning to take root among the younger generation. As Sataki (2024) also points out, overseas study by young people contributes to a nation's economic growth in the long term, particularly from the perspective of human capital formation. While increased inbound tourism demand as External demand is one driver of macroeconomic growth, outbound demand can also be said to contribute to growth in the long run[11)].

Second, domestic travel by Japanese citizens is struggling to grow compared to inbound travel by foreigners (Figure 5-2-9(B)). This imbalance, similar to the stagnation in inbound tourism demand mentioned earlier, reflects a persistent structural challenge in the Japanese economy.

To revive domestic travel demand, efforts to create travel opportunities will be crucial, in addition to steady real wage growth.

Third, foreign travel to Japan overwhelmingly favors urban areas over regional destinations (Figure 5-2-9(C)). This imbalance risks causing excessive crowding (overtourism) in certain areas visited by foreign tourists. Therefore, it is necessary to develop programs that promote wide-area tourism circuits and further attract foreign visitors to regional areas[12)]. On the other hand, as seen

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11) Similarly, the Japan Tourism Agency (2025) points out that promoting outbound travel by Japanese citizens contributes to building stable international relations by enhancing their international awareness and mutual understanding. Furthermore, it supports maintaining and strengthening aviation networks and further expanding inbound tourism. Therefore, to foster enthusiasm for overseas travel, the Japan Tourism Agency, the Ministry of Foreign Affairs, and the Japan Association of Travel Agents (JATA) are jointly undertaking initiatives to promote outbound travel. For detailed content, refer to the Japan Tourism Agency (2025).

12) As an example of a wide-area tourism circuit program in Kansai, KANSAI Tourism Bureau "THE EXCITING KANSAI" can be cited (for details, refer to Kansai Tourism Bureau (2022)). Furthermore, Inada, Nomura, and Yoshida (2024) are examining new Kansai wide-area tourism itinerary plans based on travel purposes, drawing from a questionnaire survey conducted by the Asia Pacific Institute of Research targeting Japanese residents (both Kansai residents and non-Kansai residents) and foreign residents.

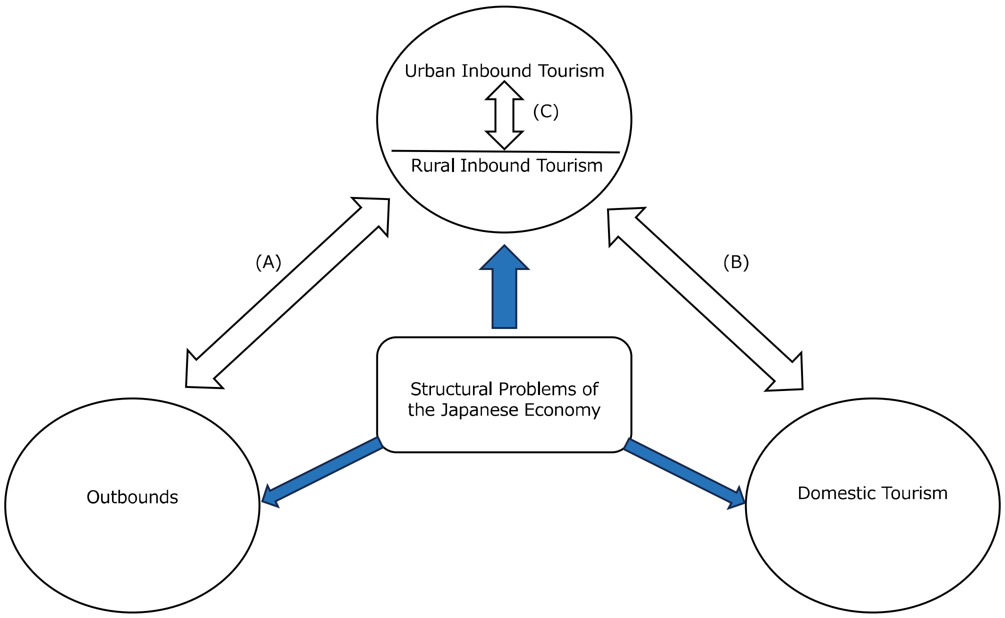

Figure 5-2-9 Inbound Tourism Demand and Three Imbalances

Source: Adapted from Inada et al. (2025)

in Section 2.2, regional areas are supported more by Japanese travelers than by foreign visitors. In the medium to long term, as domestic travel demand shrinks in Japan amid population decline, the challenge for regional areas will be how to maintain domestic travel demand while attracting foreign visitors.

Underlying these three situations are structural problems in the Japanese economy. In other words, the medium-to-long-term challenges facing the Japanese economy are being reflected through the mirror of inbound tourism demand.

3. Summary

Section 2.1 demonstrates the importance of maximizing consumer spending from moderate tourism demand. The government's 2030 target of 60 million international visitors is comparable to levels seen in major tourism nations like France and Spain[13)]. Achieving this level requires a nationwide annual increase in tourism industry productivity of +2.8%, making the enhancement of infrastructure development an urgent priority. Failure to achieve this could significantly exacerbate overtourism issues. Considering such supply constraints raises doubts about the feasibility of the target. If the target were hypothetically lowered to 40 million visitors, the required annual productivity growth rate would

13) For detailed content, refer to the Japan Tourism Agency (2021).

drop to +0.7%, significantly increasing its feasibility. This implies that if average spending per visitor could be raised further, the same total tourism expenditure as the 60 million visitor scenario could be achieved. In this scenario, the severity of the labor supply-demand gap in the relevant industry would be significantly alleviated (-15.1% → -3.9%). Rather than fixating on achieving the 60 million visitor target, focusing on enhancing accommodation services (increasing their value-added nature) is crucial for achieving balance. Reviewing the government's tourism strategy[14)], the 2030 targets are 60 million international visitors and 15 trillion yen in tourism spending. However, even if the visitor target is lowered to 40 million, the spending target remains achievable by successfully raising the per-person spending from 250,000 yen to 375,000 yen (15 trillion yen/ 40 million). In other words, greater focus should be placed on enhancing the high value-added nature of tourism spending. As seen in Section 1, the per capita spending in 2024 was 227,000 yen, suggesting that reaching 375,000 yen by 2030 is not an unattainable goal. Furthermore, the realization of IRs (Integrated Resorts) is expected to elevate the brand value of Japan's inbound tourism, contributing to the achievement of this target.

In other words, the fundamental solution for easing supply constraints caused by labor shortages is to improve productivity. Specifically, it is crucial to leverage ICT and DX to (1) enhance the efficiency of accommodation service models themselves and (2) achieve the sophistication of accommodation services. Furthermore, as touched upon in Section 2.2, wages (terms of trade) for Japanese people, as seen in accommodation prices, have significantly declined, which is a background factor for the sluggish domestic tourism demand. To ensure the sustainability of the tourism industry, encompassing both inbound tourism demand and domestic tourism, we should contribute to the recovery of domestic demand by achieving a steady increase in real wages (improving terms of trade).

Inbound tourism demand holds the potential to become a new driving force for the future Japanese economy, which faces stagnation. To realize this, it will be necessary to stimulate various innovations and sustainably expand inbound tourism demand from the supply side.

Furthermore, taking a deep look at inbound tourism offers many insights for considering sustainable growth in the Japanese economy. Japan's population decline is becoming increasingly noticeable, and labor supply constraints are being strongly felt. Consequently, concerns are gradually rising that industrial systems and infrastructure may not function effectively. These problems are

14) For detailed content on government targets, refer to the Prime Minister's Office (2016).

becoming particularly acute in regional areas compared to urban centers.

As seen above, inbound tourism can help revitalize the regional economy by taking root not only in urban areas but throughout the regions. However, challenges remain in linking this to medium- to long-term growth in regional areas. In regions experiencing rapid population decline, maintaining not only tourism but also essential local living infrastructure is crucial. To achieve Japanese economic growth centered on regional revitalization, nurturing locally rooted human capital is key[15]. When considering sustainable inbound tourism, wisdom, effort, and deep respect for the region point to one possible path forward.

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15) A thorough explanation of sustainable community development through tourism in rural areas is provided in the final chapter of Inada et al. (2025).

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