

Policy Recommendation: Strategies for Japan's Service Industry – Making the Service Industry a Source of Prosperous Growth (November 2024)

By the Study Group on the Service Industry in Japan

Overall Outlook for the Service Industry

(1) Current condition

a) Value-added/employer share

Both the value-added and worker shares of the service industry in Japan have steadily increased over the past 50 years (from 52% to 73% for the value-added share and from 45% to 74% for the worker share), and it is indisputable that revitalization of the service industry is the key to Japan's economic recovery (*Chart 1 & 2*).

b) Labor productivity

As a measure of industrial vitality, we take labor productivity (value-added per hour). Comparing labor productivity by various industries in major countries between 1997 and 2017, we find that while Japan's ranking is the same in manufacturing, especially in transportation machinery, the service industry has fallen in ranking across the board, except for professional and business support (lawyers, accountants, R&D, etc.) In 2017, in the service industry as a whole, Japan's ranking was about 50% of that of the United States. On the other hand, the low labor productivity of Japan's service industries stands out in comparison to the labor productivity of its manufacturing industry, which is about 70% of that of the US. This may be due in part to the

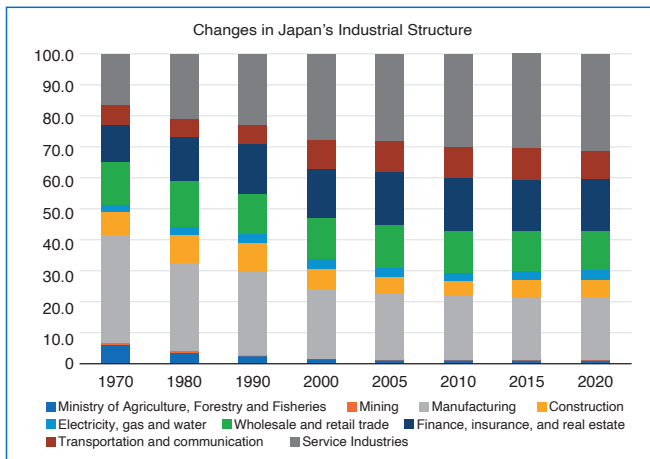
fact that the quality of services is not accurately measured. In Japan, it is said that the quality of services provided to customers in restaurants and hotels is more attentive and better than in other countries. Of course, there is an urgent need to improve efficiency through the use of artificial intelligence (AI) and other technologies. With labor shortages and an aging population, it is essential for Japan to develop technologies that will enable even the elderly to continue working in the service industry, and it is necessary to aim to improve labor productivity in the service industry. In addition, we believe that visualizing the efficiency of service provision (e.g., sales per employee and satisfaction with services by users) to show the direction of efficiency that the service industry is aiming for will also clarify the path that the service industry will take in the future.

c) Service balance

On the other hand, looking at the balance of services, another important indicator for measuring industrial vitality, the travel balance remains in the black on the back of strong inbound travel, but the deficit is widening in advanced fields such as digital and R&D-related fields (*Chart 3*). Much of the statistical analysis data and analytical tool programs used by research institutes are purchased from abroad, and many development costs are also flowing overseas.

CHART 1

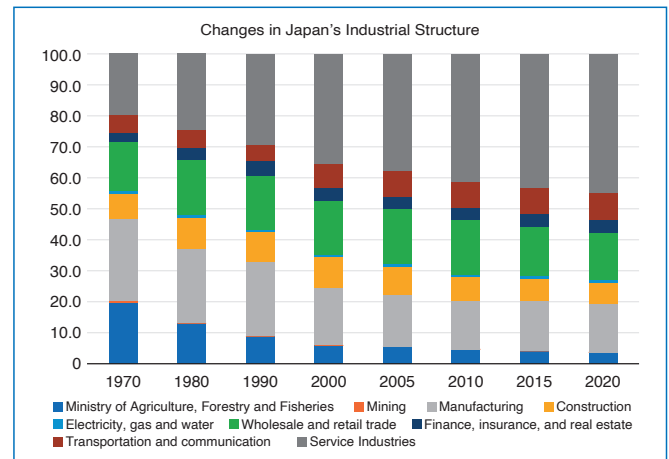
Value-added share



Source: Excerpts from the Cabinet Office's "National Accounts" 1990-2002 standard (1968 SNA) for the years 1970-1990, and 2015 (Heisei 27) standard (2008 SNA) for the years 2000 and later

CHART 2

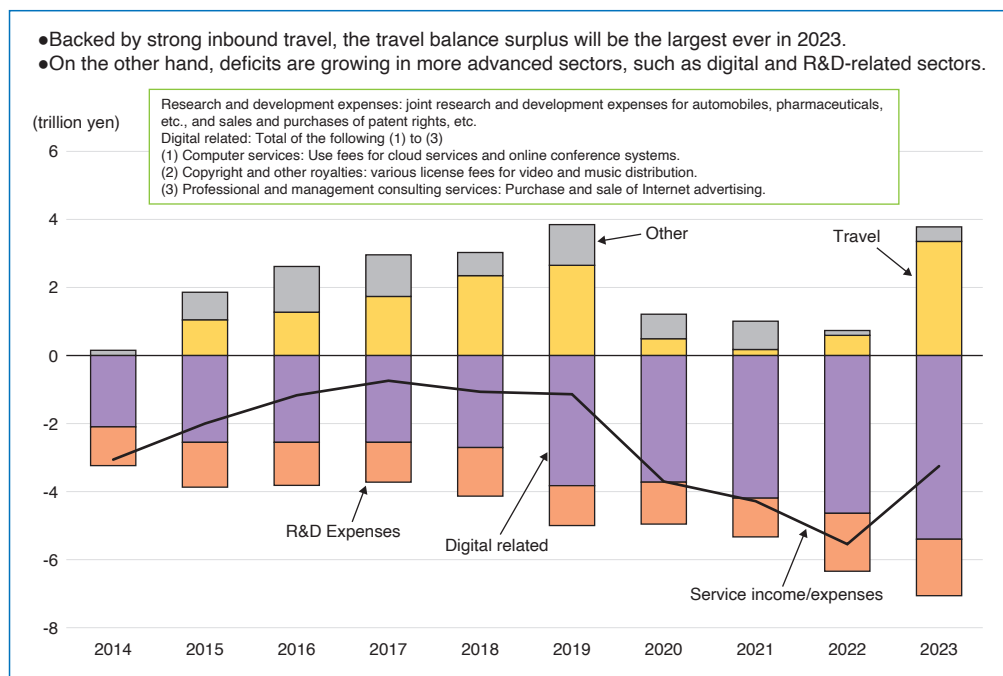
Share of workers



Source: Excerpts from the Cabinet Office's "National Accounts" 1990-2002 standard (1968 SNA) for the years 1970-1990, and 2015 (Heisei 27) standard (2008 SNA) for the years 2000 and later

CHART 3

Service balance



Remarks: P represents the preliminary figures.

Source: Bank of Japan, Balance of Payments Statistics (Time series statistics search site)

Source: Ministry of Finance, First Roundtable Meeting on Balance of Payments Appendix 1, p. 7

(2) Issues

While it is of utmost importance to sort out the issues in each service sector and consider countermeasures, we will first address issues common to the service industry as a whole and their countermeasures.

a) Low prices not reflecting quality

The quality of services provided by the Japanese service industry is highly regarded internationally, as exemplified by the hospitality provided by restaurants and inns. For example, a survey shows that, on average, Japanese service is rated 20% higher than the quality of services in the US (Chart 4). The problem in Japan is that such high quality is not fully reflected in the prices. In other countries, there is a custom of tipping, where prices reflect the quality of the service, such as an increase in the tip for higher quality service. In contrast, in Japan, the quality of services at all times has traditionally been *Omotenashi* service, which is not reflected in the price, in an effort to provide services that better satisfy customers.

b) Low labor productivity

While it is important to fully reflect the high quality in the prices, even taking into account this difference in quality, the gap in labor productivity between Japan and the US shown earlier is still remarkable (i.e., the difference of 50% is only reduced to 30%). The manufacturing industry is in an environment where efficiency can be pursued by improving waste in the production process if it is found. In contrast, the service industry provides invisible goods, and it is

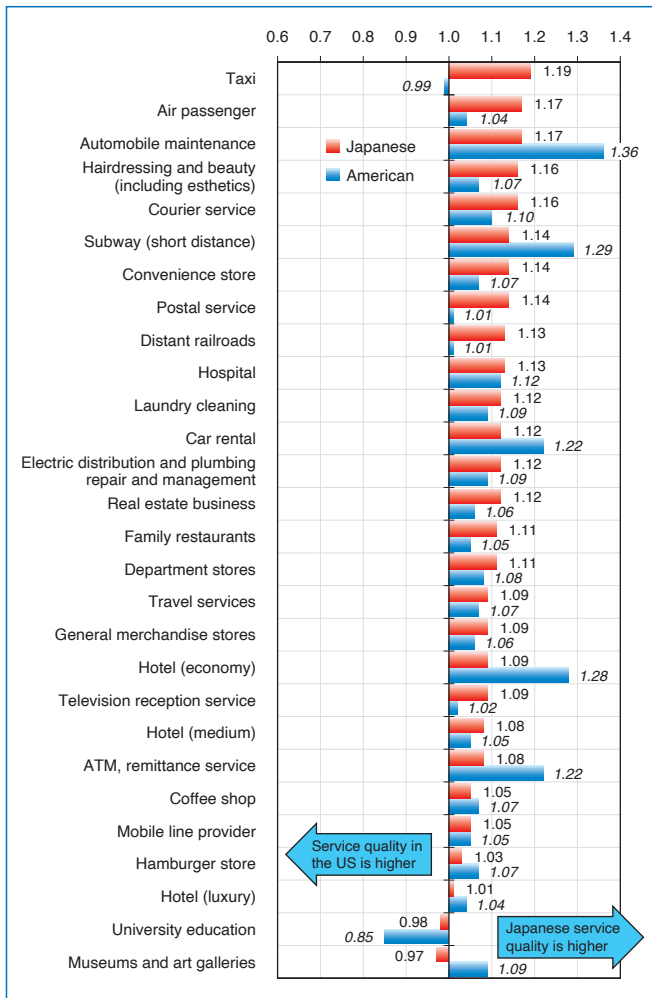
difficult to see waste as in the manufacturing industry. Many service providers are small, medium, and micro businesses, making it difficult to utilize AI and improve efficiency. For small, medium, and micro enterprises, it would be one idea for the government to provide AI and digital technologies that can be used commonly everywhere as public goods, and to encourage them to improve labor productivity in the service industry.

c) Sluggish domestic investment opportunities

The aging of the population and other factors have made the domestic market less attractive, and more direct investment abroad than domestic investment has resulted in the offshore transfer of production. As a result, demand in the domestic economy has declined (deflation) and wages have not risen, even if labor productivity were to rise. Efforts should be made to increase domestic investment opportunities amid an aging population. As the number of foreign tourists increases, the need for services for short-term visitors is expanding. It is important to identify investment needs to meet new service demands and provide them as new investment opportunities. The needs of the elderly in their daily lives are also very different from those of working people. Investments to meet the needs of services for the aging population are also expanding, and it is essential to identify investment needs from a different perspective and promote new investments that can meet those needs. For example, in depopulated areas, there have been attempts to provide a variety of services, such as medical services, financial services, and food provision services, on a single traveling bus. For aging or depopulated areas, it may be

CHART 4

Japan-US service quality difference (US = 1)



Source: Fukao et al. (2018)

necessary to establish a system that can provide such services at as low a cost as possible. In addition, it is important to make efforts to attract foreign investment into Japan for services such as software and accommodation facilities. In the area of medical services, it will be necessary to find new investment needs and increase domestic investment in such areas as the development of facilities that can meet the demand from overseas for advanced medical services.

d) Improvement of service balance deficit

(3) Measures

The following measures could be taken to overcome the challenges in the service industry.

A. “Aggressive” measures to improve productivity

a) Innovation promotion

Flattening the organization to link the promotion of AI utilization and

information and communication technology (ICT) investment to productivity improvement; fostering startups, especially AI companies; and promoting the development of new businesses.

(Note) In Japan, ICT utilization, etc. is often conducted on the premise of existing organizations, and is unlikely to lead to significant improvements in efficiency and the development of new services.

b) Digitization promotion

Promote AI utilization, ICT investment, and cloud computing

c) Improve human resource development and human capital investment

Investment in corporate education and training (whether formal or informal), and the provision of free online education for everyone by public vocational training facilities. Establish scholarship programs to support individual study abroad.

(Note) In many cases, the dispatch of young employees from companies to study abroad, which used to be common, has been discontinued because it is not beneficial to the company as it leads to their quitting the company after returning from studying abroad in disappointment that their study experience is not well matched with their company’s working environment. As a company, it is essential to create an “attractive business environment” to prevent them from quitting.

B. Business environment improvement measures that should be taken by the government to increase productivity

a) Regulatory reform

Revisit labor regulations that impose high costs related to business compliance, such as regulations on dismissal of employees, environmental regulations and policies for protecting SMEs by differentiating them from large enterprises in order to prevent SMEs from merging with large companies or the other SMEs and becoming large companies.

b) Exit facilitation

Prevent prolonged benefits and subsidy support for low-productivity firms. Clearly define the purpose of subsidies, etc., and limit public support to the helping stage only. A system that allows firms to become self-supporting after that phase is completed and improvements in production efficiency are achieved is desirable.

c) Maintaining population agglomeration

Creation of compact cities, mergers of municipalities and prefectures in underpopulated areas, as well as continued remote work to promote residents’ relocation from large cities to surrounding areas.

d) Ensure employment mobility

Revision of the lifetime employment and seniority system. Expand mid-career employment opportunities. Full-scale introduction of specified employment and abolition of the distinction between permanent and non-permanent employees (ensuring “equal pay for

equal work”).

(Note) It is important that the government be involved in the implementation of such measures as providing compensation for absence from work and opportunities for human resource development when employees leave the company, rather than simply abolishing restrictions on dismissal.

e) Development of digital infrastructure

The Ministry of Economy, Trade and Industry (METI) will develop “Digital Skill Standards”, which are guidelines for acquiring basic knowledge, skills and mindsets related to Digital Transformation (DX), and create a certification system that can certify the ability to follow these standards. Development of digital functions that can be used by the elderly should be done as well.

Outlook for Each Service Area

IT-related services

(1) Current condition

a) In the 1950s and 1960s, mainframes, a system in which hardware and software are integrated, were dominant, and Japan had a large global market share of 1/3 to 1/2 of the mainframe market. However, in 1969, IBM was sued for violation of the Antimonopoly Law due to its blanket rental system that provided hardware and software at unclear prices, which forced the company to provide hardware and software separately, creating a single software industry. The legal recognition of software copyrights in the 1980s created a very favorable situation for the software industry, and software companies in the US enjoyed high growth. The era of software that is not tied to any hardware, but is provided by various vendors and connected by networks, has arrived, and businesses that respond quickly to the needs of their customers have become mainstream. In the case of Japan, however, user companies have been forced to adapt their systems to their business operations without changing their own business processes. In other words, they did not invest in digital technology themselves, but chose to entrust system design to vendor companies, and those vendor companies chose a low-risk, long-term, stable business. As a result, innovative so-called platform companies were not nurtured. It would have been important to nurture startups that actively take risks.

b) Lagging behind the latest software development

Currently, however, the efficiency and reliability of such traditional software development is declining. In recent years, software development has become “as a service” and is provided over the network. As a result, users only need to create programs that can be added to the software, which speeds up the entire development process. Despite the labor productivity gains that can be realized by using such cloud services, 30% of Japanese companies still do not use them. Vendor companies develop new technologies and stabilize their offerings through a trial-and-error “ecosystem”, but there is a big gap between the per-employee revenue of listed SaaS (Software as a Service) companies in the US, which is over 30 million yen, and Japan,

which is 19 million yen. There is a large gap between the US and Japan. Technical assistance that can be used by small, medium, and micro enterprises in Japan is needed, and a system of remote training that can be taken by anyone with a smartphone for free should be established to promote skill improvement education. Such public support for digital skills should expand opportunities for the majority of the population to acquire skills, and encourage increased labor productivity.

(2) Issues

This difference between Japan and the US is caused by the following circumstances.

a) Low talent mobility – low productivity of IT firms

As mentioned above, once a vendor company first invests in a new technology and gains a certain (de facto) position, the rest is stabilized by the ecosystem. Vendor companies in the US invest there at once to scale up their business, standardize, increase productivity, secure first-mover advantage, and achieve stable earnings. In the case of the US, human resources are highly mobile, so it is easy for them to gather at the first investment location at a moment's notice. And once that is over, human resources are likely to go elsewhere. In the case of Japanese firms, the mobility of human resources is low and they are unable to keep up with the speed of the software industry.

In Japan, it is difficult to raise wages because it is not easy to fire employees and it is difficult to lower salaries. To overcome this problem by securing labor through outsourcing and temporary staffing, it is difficult for IT companies to increase their productivity. In order to raise productivity, it is important to raise salaries in line with the skills and abilities of the right people at the right places by promoting the mobility of human resources. To this end, along with the promotion of specified employment, reskilling (relearning) through enhanced training programs in both the private and public sectors is required.

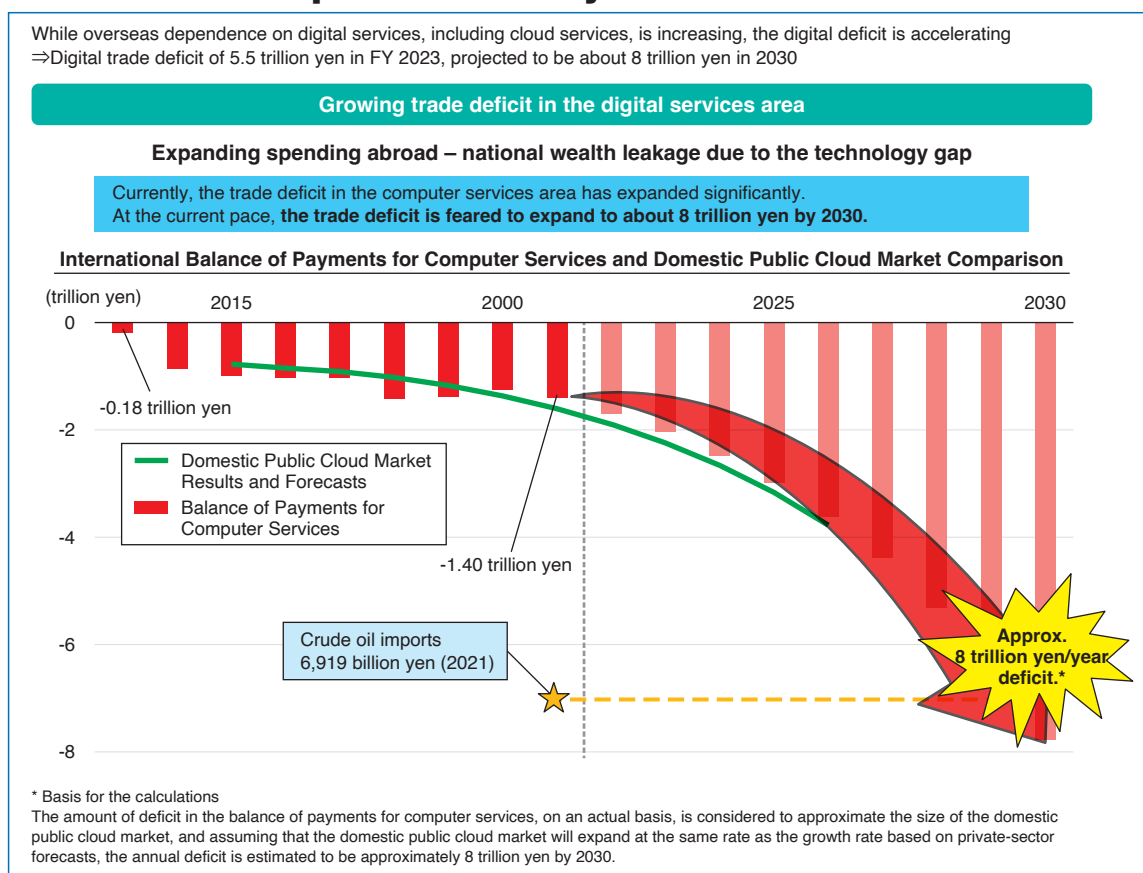
b) Entrenchment of a low-level stable multiple subcontractor structure without organizational reform

Japanese user companies basically use digital technology only to improve the efficiency of their existing operations, so they outsource digital investments to vendor companies instead of making them by themselves. The outsourced vendor firms enjoy low-risk and stable business over the long term. Since users try to adapt systems to their business without changing their own business processes, vendor companies' services are customized to individual companies, and standardized services are not created. As a result, productivity and profit margins are low. This is called a “multiple subcontracting structure of low stability without organizational reform” (legacy system). In addition, in the case of Japan, because systems must be built for the Japanese language, companies are limited in their overseas expansion, and inevitably services are often provided only domestically, resulting in high costs because it is difficult for the benefits of scale to work. Such “Galapagosization” leads to Japan's isolation and is totally inappropriate for the trend of globalization.

CHART 5

Problems with Japan's IT industry structure

While overseas dependence on digital services, including cloud services, is increasing, the digital deficit is accelerating
 ⇒ Digital trade deficit of 5.5 trillion yen in FY 2023, projected to be about 8 trillion yen in 2030



Source: Compiled by METI based on trade statistics (Ministry of Finance), balance of payments statistics (Bank of Japan), and domestic public cloud services market revenue forecast (IDC Japan)

Source: Ministry of Economy, Trade and Industry, "Toward the Realization of a Digital Society". https://www.meti.go.jp/shingikai/sankoshin/shin_keijiku/pdf/019_03_00.pdf

Policy support is needed to encourage overseas expansion by Japanese vendor companies and to increase the number of foreign countries that use Japanese vendors.

c) Widening digital trade deficit

In this context, the widening digital trade deficit is noteworthy. Many cloud service providers in Japan buy and provide software from the US, and the deficit is widening, partly due to the weak yen (Chart 5). Looking at universities and other research institutions, they also purchase software for quantitative analysis and international comparison data from overseas, paying many costs overseas.

(3) Measures

a) Innovation

- Standardization and componentization in competitive areas (areas where common platforms can be built for each industry and issue), and productivity improvement based on in-house production by securing and training human resources in competitive areas must be needed. In non-competitive areas, user companies should promote standardization and componentization using commodity technologies, while in competitive areas, they should promote

organizational reform, in-house production, and self-development.

• Leveraging the Flow of the AI Revolution

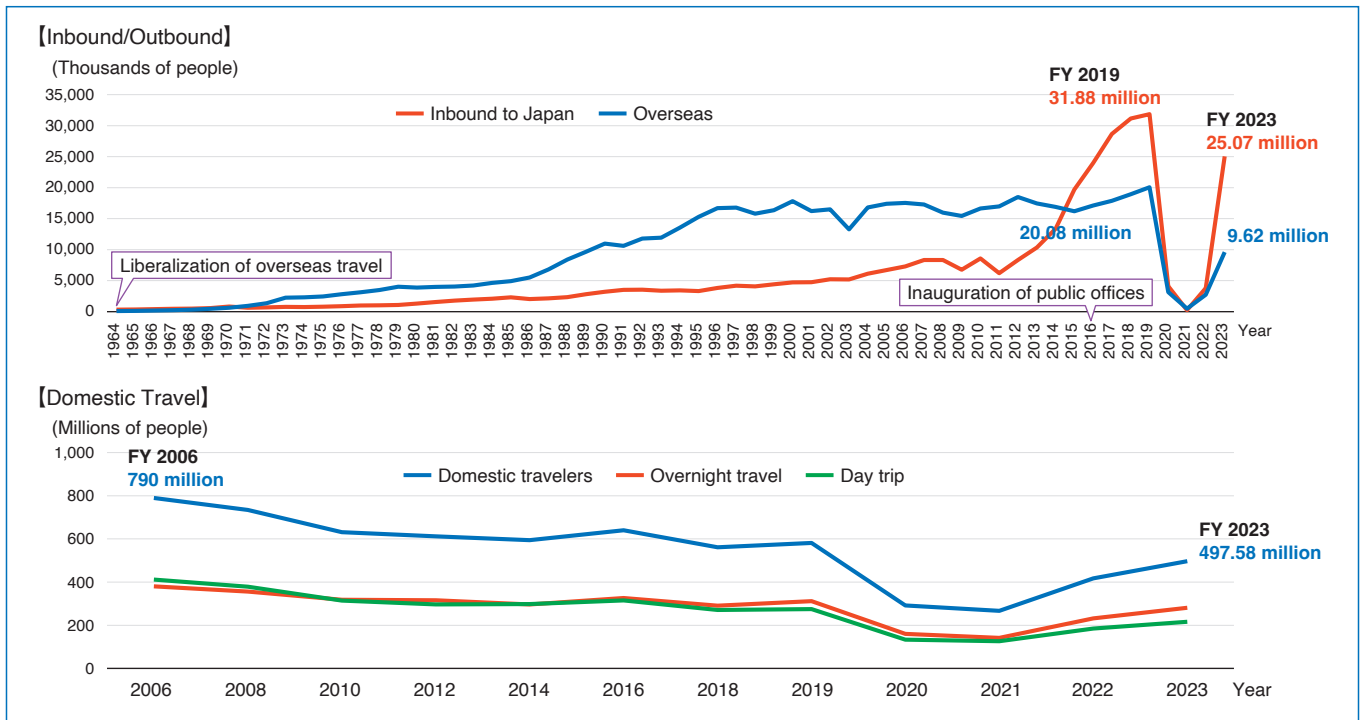
The AI revolution is an opportunity for Japan's software to change, as it functionally creates the ability to transform information from large amounts of data through correlation. However, the adoption of AI is not increasing in Japan and stood at around 50% between 2022 and 2023, while in the US it has increased from 55% to 72%. In addition, the use of generative AI has reached more than 90% in the US, compared to 54% in Japan, and as a mechanism for agile incorporation of AI, a large amount of data collected from IoT (Internet of Things) devices and various sensors is stored in the cloud, where it is learned and reasoned about. Such cloud AI will enable low-cost, short-time processing of large amounts of data, which will greatly help improve productivity.

b) Digitalization

- AI utilization, accompanied by ICT investment, and cloud computing to be promoted.
- Cultivate AI startup companies to replace platform companies such as GAFA (the four major US companies Google, Apple, Meta

CHART 6

Trends in travelers



Source: Japan Tourism Agency, "Travel and Tourism Consumption Trends Survey"

(formerly Facebook), and Amazon).

c) Human capital investment

- In order to prepare for the massive shortage of engineers that will arrive in 2030, it is necessary to establish a system that allows anyone to easily and cost-effectively improve their skills by providing training and free public remote technical assistance programs to improve the skills of engineers.
- In order not to miss out on the AI revolution, it will be important to direct the high-quality engineers with improved capabilities toward higher productivity through human resource mobility, in other words, the influx of human resources from outside the company. This will make it easier for AI to technically enter the organization. In addition, policy support is needed to increase the number of human resources capable of overseas expansion. Without capturing overseas markets, economies of scale will not work, and the high-cost structure will continue.

Further Promotion of Earning Power of the Tourism Service Industry

(1) Current condition

a) Steady recovery of inbound sales after the pandemic

Inbound growth was high until before the pandemic, reaching a record high of 31.88 million in FY 2019. Despite the damage caused by the corona disaster, the number of visitors was back up to around 25 million in FY 2023 (Chart 6). According to forecasts by travel

agency JTB, the number of visitors is expected to reach a record high of 33.1 million in 2024. In addition, the United Nations World Tourism Organization (UNWTO) forecasts that the number of international tourist travelers moving around the world is increasing, with growth particularly noticeable in the Asia-Pacific region (Chart 7).

b) The amount of travel spending by inbound travelers in Japan has increased more than 2.5 times over the past 10 years (Table 1).

(2) Issues

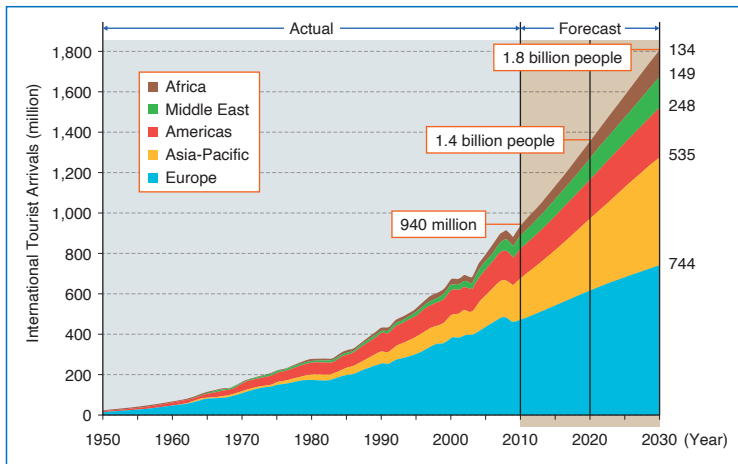
a) High value-added

Inbound consumption is expected to play a major role in compensating for the shrinking domestic market due to the serious aging of Japan's population and declining birthrate. In this sense, along with quantitative targets such as "achieving 60 million inbound tourists per year by 2030", the current challenge is to "add value to tourism" by having each foreign visitor to Japan spend a large amount of money. In Japan, where wealthy people from all over the world are not sufficiently attracted to Japan as tourists, the tourism industry is required to further realize its potential. (Incidentally, per capita spending by foreign tourists in 2014 was approximately 1.08 million yen, while it will remain flat at approximately 1.12 million yen in 2023.)

In addition, the creation of new investment opportunities to uncover new needs of foreign visitors to Japan that have gone unnoticed and to provide services to meet those needs will promote domestic investment. Among foreign visitors to Japan, there are two types of travelers: those who want to spend as little as possible and those who

CHART 7

International tourist forecast



Source: UNWTO, "Tourism Highlights, 2016 Edition"

are willing to pay even higher prices as long as they are satisfied, and it is necessary to establish a system to provide services that meet the needs of each type of traveler.

b) Attracting tourists to rural areas

Attracting tourists to rural areas is another important issue for revitalizing Japan's regional economies. The Ministry of Land, Infrastructure, Transport and Tourism's "Tourism Town Development Promotion Project Utilizing Historical Resources" is one example. Some regions are increasing the number of visitors by creating websites in English and other languages to inform foreign visitors to Japan of the regions' attractions and to explain how to access the regions from major airports. It is essential for the government and the private sector to work together to build on these efforts, as well as to make efforts to increase the number of repeat visitors to Japan.

c) Eliminate low productivity

The key to attracting wealthy foreign visitors is to raise the low productivity of accommodations and other facilities through mechanization/IT by introducing new technologies.

d) Human resource development

A major challenge in attracting wealthy foreign visitors will be to develop human resources who can respond in English, as well as to improve accommodations and other facilities. It is necessary to establish a system whereby remote education and training programs can be provided by public institutions, and people can learn free of charge. In addition, it is also necessary to provide easy-to-use translation software that can be converted into other languages by

smartphone at any time, for example, for terms commonly used in the service industry.

e) Addressing overtourism

Finally, to address the issue of overtourism, the national and local governments should improve their efforts to improve infrastructure (increase the number of buses, cabs, trains, etc.). In addition, dynamic pricing (variable pricing system) could be used to equalize the number of passengers.

(3) Measures

a) Innovation

- Shift from "pinpoint tourism" that only requires a visit to "experiential tourism" that allows people to enjoy the experience itself, such as trekking and fishing. Capture the needs of the younger generation for self-improvement and the needs of the older, affluent generation for classic luxury.

- Renewal of tourism industry leaders

In addition to traditional tourism industry players such as accommodation facilities, restaurants, transportation companies, and souvenir shops, non-tourism industries such as finance, real estate, consulting, and advertising companies will be brought together to form a Destination Management Company (DMC) that will set the direction for "tourism town development".

b) Digitalization

- Designing cities with tourism promotion in mind using data and AI

Design using data and AI to realize large-scale pedestrian spaces in cities and co-create them with tourists. This will solve the problem of overtourism and at the same time increase sales of restaurants and retail stores in pedestrian spaces, which will affect high value-added tourism. Data analysis will be conducted to determine how pedestrian spaces should be set up to maximize added value, which will be reflected in future urban planning and tourism management. In

TABLE 1

Travel consumption (2014-2023)

(Unit: trillion yen)

	2014	2015	2016	2017	2018	2019	Year 2020	Year 2021	Year 2022	Year 2023
Japanese domestic overnight travel	13.9	15.8	16.0	16.1	15.8	17.2	7.8	7.0	13.7	17.8
Japanese domestic one-day trips	4.5	4.6	4.9	5.0	4.7	4.8	2.2	2.2	3.4	4.1
Japanese domestic overseas travel (domestic portion)	1.1	1.0	1.1	1.2	1.1	1.2	¹ 0.3	¹ 0.1	¹ 0.6	0.9
Foreign travel to Japan	2.0	3.5	3.7	4.4	4.5	4.8	² 0.7	² 0.1	² 0.9	5.3
Total	21.6	24.8	25.8	26.7	26.1	27.9	11.0	9.4	18.7	28.1

¹ "Overseas travel by Japanese nationals (domestic portion)" is estimated due to the impact of the new coronavirus infection.

² "Foreign travel to Japan" is estimated due to the impact of the new coronavirus infection.

Source: Travel and Tourism Consumption Trends Survey 2023 Annual Values (Fixed Report)

addition, the introduction of a tourism tax will enable the creation of a system that will allow the implementation of various policies while securing financial resources for local governments.

c) Human capital investment

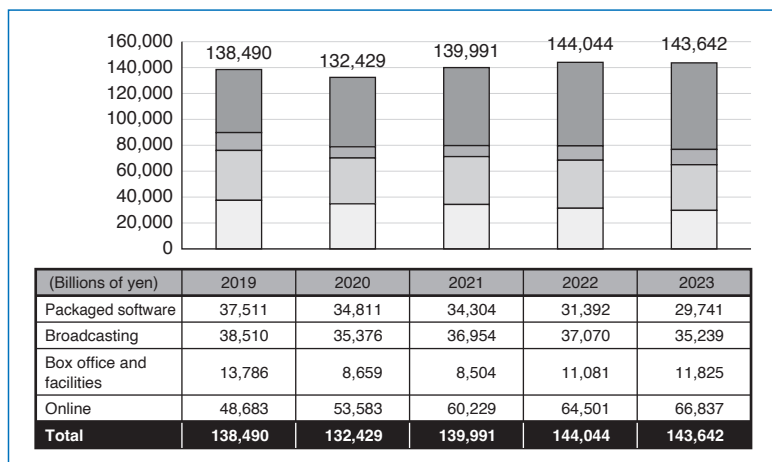
- Develop advanced human resources by improving communication skills, including English language skills, and training professional guides for tourist attractions. For example, it is possible to increase the number of high-level human resources by creating a free remote education system by public institutions.

d) Addressing specific challenges

- Appropriate reflection of quality services such as “hospitality” in prices
(Note) Moving away from cheap and good service.
- Introduction of dynamic pricing
 When demand for services varies significantly by season and time, it is important to equalize demand.
- Responding to overtourism
 Establishment by local governments of public infrastructure facilities’ rental fees for tourists, including transportation infrastructure.
- Expand medical tourism through collaboration with the medical industry
 Realization of collaboration between Japan’s advanced medical technology and tourism (details to follow in the Medical Inbound chapter).
- Short-term technology acquisition program
 Short-term courses for foreigners to learn advanced Japanese technology.
- Educational support programs
 Establish training courses in areas where Japan has strengths (crafts, animation, etc.). Create an intensive program, for example, a two-week course, so that participants from overseas can enjoy both

CHART 8

Japan content market by media from 2018 to 2023



Source: Human Media, Inc.

tourism and educational support in Japan.

Entertainment Culture as a Growth Industry

(1) Current condition

a) Expanding online market

Since the early 2000s, the Japanese content industry, including manga, anime, and video games, has served as a gateway for foreign interest in Japan, and the government has focused on it as a growth industry. In the past few years, the market has been on a further expansion trend, with an estimated market size of approximately 14 trillion yen for content in 2023. In particular, the online content market, including online distribution, has grown from about 13% of the total market in 2011 to 46.5% in 2023 (*Chart 8*).

b) Overseas market expansion

Growing in tandem with the expansion of the digital online market is the overseas market. Over the past 10 years, the Japanese content industry has grown 3.3 times, and the value of exports has reached 4.7 trillion yen. In terms of the scale of exports of domestic industries, it has reached a point where it can be compared to steel and semiconductors. However, Japan’s share of the global content market, including exports, will be around 7% in 2022, which is still small compared to the US (43%) and China (19%). However, there is room for significant growth (*Chart 9*). Animation and home video games (software) account for 90% of the 4.7 trillion yen export value, of which online accounts for more than half, indicating that digital is driving the overseas market.

c) Growth of related industries

The total market for character products, amusement facilities, tourism, and education using content is estimated to be 57 trillion yen, more than four times the size of the entire Japanese content market (Human Media, Inc. estimate). This is 10% of Japan’s GDP, which is close to the amount invested in construction. In other words, the content industry has a large ripple or external effect on related industries. Efforts should be made to use the content industry as a catalyst to enhance brand power and image, and to grow related industries by promoting Japan’s various regions, cultures, and products abroad, for example by using Japanese consumer electronics in content, including Japanese food products and scenery from Japanese tourist destinations.

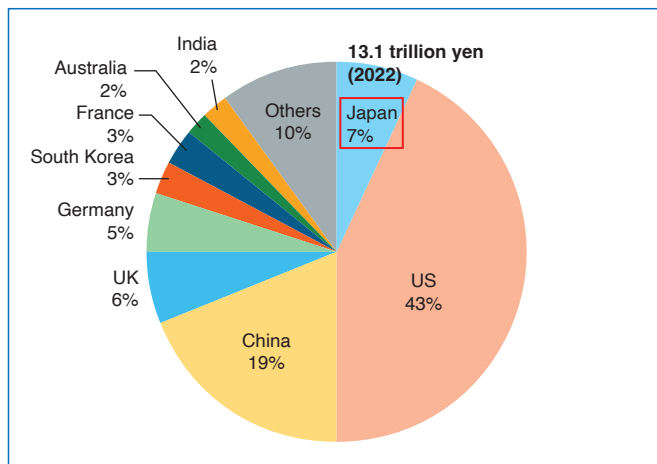
(2) Issues

(a) Overseas expansion

While overseas expansion has been steadily increasing due to support for overseas development through investment from the fund “Cool Japan Organization” (established in 2013), expansion of government subsidies, support through the development of Internet platforms, and other means,

CHART 9

Global content market size, 2022 (estimate)



Source: Human Media, Inc.

and the effect of government announcements, further expansion is an issue. In light of the increasing number of tourists interested in animation, collaboration with the tourism industry will be important. It is also expected that Japanese products will be purchased and used by visitors to Japan and that the quality of Japanese products will spread overseas through the Internet.

b) Digitalization

Online issues such as distribution include anti-piracy measures for manga. At the same time, it is important to promote overseas distribution such as Netflix for animation, cloud computing by Google and others for games, and overseas platforms such as Spotify for sound. It is also necessary to cooperate with international organizations and countries to develop an international system to crack down on illegal use overseas. The same is true for cyber-attacks, and international partnerships need to be built up to ensure that overseas criminals cannot get away with them.

c) Integration with other fields

Another major business strategy is the fusion and matching with other fields. Synergistic effects from cooperation with fashion, food, tourism, and other industries should be fully exploited. For example, inbound tourism can be fused with food, as in “people come to Japan to eat something called ramen that they saw in a comic book.” Other national strategies are also needed, such as including in the content the attractions of various regions of Japan and including in the content scenes of the use of products from various fields in Japan.

d) Human resource development

Japan has a very large number of creative artists, and fans who support them, but there is a lack of human resources for producers who can develop overseas as a business. In addition, “how to sell good products at high prices” is an important marketing strategy, for which human resource development is also essential.

(3) Measures

a) Innovation

- Integration of tourism and animation

Learn from the successful example of Disneyland, for example, and build facilities such as “Ghibli Land” or the “Dragon Ball Theme Park” being planned by Saudi Arabia, both domestically and internationally. Use of “digital policy forums” (online platforms) to examine integration with tourism and other sectors, as well as the fostering and development of the content industry, as in the case of the Korea Content Promotion Agency (KOCCA) in South Korea and the former Department of Digital, Culture, Media and Sport (DCMS) in the UK. The goal is to establish a system that can oversee and promote multiple areas such as the fostering, development, overseas expansion, promotion of digitalization, and collaboration with other industries.

- Promotion of overseas expansion

It is important to develop human resources capable of producing content that can be used overseas. Furthermore, measures to induce SMEs to expand overseas, support for overseas distribution, and overseas development of theme parks also have great potential. The government needs to provide assistance for overseas expansion. First, the government should identify needs from overseas countries, support the overseas expansion of service providers who can meet those needs, and extend support to ensure that business demand will grow steadily and generate stable earnings after overseas expansion.

b) Digitalization

- Anti-piracy measures
- Convergence of telecommunications and broadcasting
- Development of new areas such as e-sports
- Fostering AI literacy

As a result of the Copyright Amendment Act of 2018, which nudged the development of AI by making machine learning of data not a copyright infringement, AI content may be generated automatically in an explosion, making human-created content scarce. As competition in the use of AI intensifies, the literacy required to use it will become more important, and it will be important to establish an educational system for this purpose.

- Develop rules for processing music copyrights.

c) Human capital investment

- Enhance the Information Management Innovation Professional University (iU)

This university produces innovators and artists who make full use of digital technology. The most important feature is that all students will start their own businesses, and the goal is to create many content-based companies.

- It is important to develop producers and marketing strategy specialists who can develop overseas operations, and to assign appropriate human resources.

New Frontier in Medical & Nursing Care Services

[Medical inbound activities (including medical tourism)]

(1) Current condition

A drastic review of medical inbound activities is needed, but it is difficult to achieve in the current situation

One of the pillars of the late Prime Minister Shinzo Abe's growth strategy was to promote the international expansion of health and medical care. The main activities for overseas expansion in this strategy included inbound as well as outbound activities to form partnerships between overseas medical professionals and related companies and the Japanese medical community. For example, international expansion is an issue, such as sending cancer patients who were detected in early stages overseas but for whom surgery is difficult to perform locally to Japan for treatment. Outbound and inbound should be combined to internationalize medical care.

However, the actual situation of medical inbound activities in Japan is extremely challenging: the number of foreign tourists is expected to exceed 30 million annually in 2019, of which an estimated 20,000 to 30,000 will visit Japan for medical purposes, a figure that is one or two digits lower than other Asian countries such as Singapore (Table 2). So there is room for significant growth in this field.

There is a need for Japan to provide advanced medical care, and the public and private sectors must work together to develop nurses, doctors, medical equipment, and medical facilities to meet this need.

(2) Major benefits of medical inbound activities

Medical inbound care is not covered by public medical insurance and private practice. An increase in this number is expected to have the effect of increasing the sustainability of medical services to domestic patients through increased revenues. It will also help improve Japan's image as a health powerhouse.

Inbound patients are exclusively targeted as the wealthy, but there are also high expectations for the middle class in countries with high medical costs, such as the US. High-quality, reasonably priced Japanese healthcare is attractive. Japan should do a better job of communicating that Japanese medical care is attractive to a diverse range of people. Even at present, there is a high need for Japanese medical care, such as particle beam therapy for cancer.

(3) Issues

Breaking away from the concept "private medical care = preferential treatment for the rich"

The reason why medical inbound activities have not progressed is that the universal healthcare system set up in 1961 is now at its limits. While it has undoubtedly contributed to Japan's medical care and healthy life expectancy, reimbursement has been substantially negative in real terms, and hospital management is under pressure. Japan is too much under the spell of "medical care should be covered by public insurance". Japan needs to break free from the mindset that "private medical care = preferential treatment for the rich".

(4) Measures

a) Innovation

• Promotion of medical tourism

The entire country should support the medical tourism industry as a national policy, emphasizing the importance of the medical tourism industry, which combines Japan's advanced medical technology with its rich tourism resources.

• Construction of wellness resorts

In order to expand the medical inbound market, create wellness resorts with high unit prices and added value for foreigners who would stay for a week or so for the primary purpose of preventive medical checkups using the physical checkup system. It is also important to

TABLE 2

The dismal state of Japan's inbound medical tourism

Country	Foreign tourists (2019)	Estimated number of visitors (2019)
Japan*	30.19 million	Estimated 20,000-30,000
Singapore**	19.1 million	500,000
South Korea**	17.5 million	500,000
Malaysia**	26.1 million	1.2 million
Taiwan***	12.2 million	300,000

The State of Inbound Medical Tourism in Japan (2019)

- Although the Japan International Hospitals (JIH) certified by MEJ and the Ministry of Health, Labor and Welfare's "Survey on the Actual Number of Foreign Patients" exist, there is no data on how many tourists actually come to Japan for medical treatment at clinics, etc.
- The JIH reported 4,069 people per year (for one day in Bangkok).
- 1,653 people obtained medical stay visas
- China 3,841, Vietnam 322, Russia 81, Indonesia, Mongolia, etc. (very few from Europe, US, Middle East)

Number of Ferry Passage Recipients (Persons)

Source: Compiled by MEJ, *Ministry of Health, Labour and Welfare, "Survey on the Actual Conditions of Acceptance of Foreign Patients in Medical Institutions in Fiscal Year 2022", [statistics.jnto.go.jp/graph/#graph-inbound-travelers-transition](https://www.mhlw.go.jp/graph/#graph-inbound-travelers-transition), **"Strategy to Facilitate Attraction of International Patients", Ministry of Health and Welfare, South Korea, ***Medical Excellence TAIWAN. www.oecd-ilibrary.org/industry-and-services/oecd-tourism-trends-and-policies-2022_a8dd3019-en, <http://www.stb.gov.sg/content/dam/stb/documents/statistics-marketing-insights/Quarterly-Tourism-Performance-Report/STB%20Q4%202019%20FA%20v7.pdf>, admin.taiwan.net.tw/upload/contentFile/auser/b/annual_2019_btml/en/01_2_Taiwan-Tourism-Market.html

establish the concept of high unit prices for high quality products.

b) Digitalization

- Medical inbound is private medical care. In order to create incentives for private medical care in the medical field, it is important that hospital management is streamlined. Digitalization of hospital management and administration is a prerequisite for this.
- As a mechanism for early transfer of patients from foreign hospitals, it is necessary to establish a common data format among hospitals and a digital infrastructure as a tool for close and smooth information exchange with foreign hospitals.

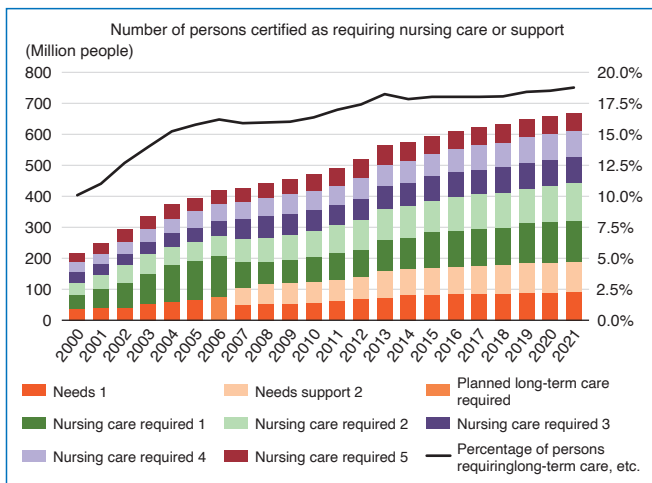
c) Human capital investment

- Diversification of medical human resources, including inviting foreign physicians
- Training of personnel capable of triage to determine whether or not a patient from a foreign country should be accepted for treatment
- Establish an emergency response system in case of inappropriate treatment.
- Training of hospital management professionals based on the premise of “private medical care”

d) Addressing specific issues

- Cooperation between the Japanese medical industry and the travel industry is essential for the smooth realization of medical tourism. If it is just a matter of bringing tourists from overseas to Japan, the overseas travel industry can handle the task. However, in order to link diagnosis and treatment with tourism in Japan, the Japanese travel industry, which is well versed in the Japanese medical industry, must play a major role.

CHART 10
Decrease in the number of healthy elderly people is the biggest challenge.



Source: Ministry of Health, Labour and Welfare, “Monthly Report on Long-Term Care Insurance Business Status (Provisional Version)”, April 2000 to February 2021

[Aging Society and Care Robot Innovation]

(1) Current situation – decrease in the number of active elderly and rapid increase in nursing care costs

A major problem in the aging of Japanese society is that the number of healthy elderly people is decreasing and the number of people certified as requiring support or nursing care is increasing (Chart 10). As a result, the gap between supply and demand for human resources for long-term care is widening and the cost of long-term care is increasing (Chart 11).

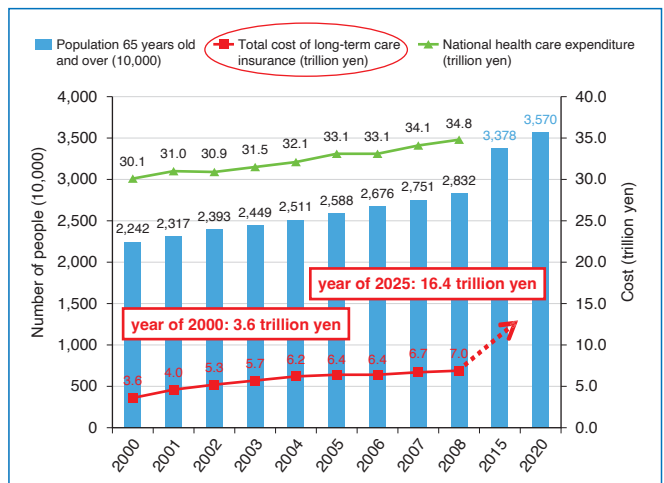
(2) Issues

a) Standardization and customization of technology

The key issue for expansionary use of caregiving robots is development cost reduction and customization of technology to the needs of an individual aged person.

The Japan Agency for Medical and Development (AMED)/Ministry of Economy, Trade and Industry (METI) “Project to Promote the Development and Introduction of Robotic Nursing Care Equipment” which has been implemented since 2013, supports the development and diffusion of robotic devices in six key areas (transfer support, mobility support, removal support, monitoring and communication, bathing support, and nursing care work support) for assisting the elderly in their daily lives. Effective social implementation of these technologies, especially promotion of commercialization, is an urgent issue. It is essential to build a comprehensive ecosystem from development to social implementation, in which both standardization to reduce costs and customization to meet the diverse needs of the elderly are required. How to achieve this compatibility will be an important research issue in the future. In addition, it is also important to establish a system for the effective use of newly developed equipment in the nursing care field. It has been pointed out that useful equipment is not being fully utilized due to a lack of technical

CHART 11
Social problems that need to be solved: Rapid increase in care costs



Source: Ministry of Health, Labor and Welfare, Japan

personnel and budget constraints.

b) Creation of new industries

Another major challenge is to capitalize on the potential for the creation of new industries. The nursing care robot technology that Japan has pioneered will be a valuable solution for countries around the world with aging populations. Safe and secure nursing care robots designed with a human-centered philosophy have a large potential market as a new export industry.

In addition, the development and diffusion of independence-assistive robotic devices will create a new industrial sector aimed at preventing nursing care and extending healthy life expectancy. The creation of such a healthy life extension industry will also contribute to reducing medical costs and improve the sustainability of the social security system.

Furthermore, the development of the nursing care robot industry will encourage the establishment of R&D and manufacturing bases for related technologies, contributing to the revitalization of regional economies and the creation of new jobs.

To this end, it is important that technologies developed in Japan, such as care robots, be recognized as “global standards”, and support by the public sector is essential. In smartphone technology, it is said that technology developed in Japan has failed to win global standardization and has fallen behind other countries. If technologies originating in Japan are not recognized as global standards, advanced technologies will miss the opportunity to be used around the world.

(3) Measures

a) Innovation

- Like airplanes and automobiles, care robots should be modularized so that various capabilities can be added by modifying the software.
- Caregiving is a lifestyle innovation for daily life. If the challenges are solved, it could become a next-generation industry following consumer electronics and automobiles. The next challenge for technological development will be to create situations that not only complement physical functions but also lead to the happiness of the person. Japan’s aging population offers an excellent opportunity to advance the development of nursing care-related technologies. The technological needs on the medical and nursing care fronts are becoming clearer, and Japan is well-positioned to develop equipment to address these needs.
- By integrating robot technology and AI, it is possible to develop comprehensive nursing care solutions with AI-enabled operational know-how. This is expected to create a new business model of care support (Care as a Service) that goes beyond mere equipment sales.
- Care robot technology is a cross-sector innovation, integrating technologies from diverse fields such as medicine, IoT, AI, and materials science. This is expected to promote cross-sector innovation and have a ripple effect on other industries.
- Deregulation to promote such innovation and international standardization activities to increase international competitiveness are important. Disseminate Japan’s nursing care robot technology to the world and establish a presence in the global market through

international cooperation and technology transfer.

- It is necessary to establish a system to accelerate R&D and practical application through the cooperation of universities, research institutes, companies, and government.

b) Digitalization

- Promote digitalization of nursing homes (e.g., online interviews with family members). Ensure that daily health index changes are recorded digitally.

c) Human capital investment

- It is important to develop human resources who can use nursing care robots. Education related to engineering and digital literacy is needed in the nursing care field (the Ministry of Health, Labor and Welfare is creating a living lab).
- There is an urgent need to establish a system for training a diverse range of human resources to support the new industry, including nursing care robot technicians, operators, and maintenance personnel.

d) Addressing specific challenges

- The company will promote both educational activities to increase social acceptance of the daily use of robots and AI, and product development that pursues ease of use.

[Medical device startup]

(1) Current situation – diagnostic equipment, competitive to some extent, but weak treatment equipment and low self-sufficiency

The global market for medical devices is approximately 60 to 70 trillion yen (of which the Japanese market is approximately 4.4 trillion yen; the global medical equipment market is 53% therapeutic, 26% diagnostic, and 21% others). Japan’s international competitiveness is relatively strong in diagnostic devices such as ultrasound, endoscopes, magnetic resonance imaging (MRI), and computed tomography (CT), and has a high share of the global market (for example, Japan has almost a 100% share in diagnostic flexible endoscopes), but in therapeutic devices (artificial joints, stents, radiation therapy and pacemakers), its global market share is currently almost zero. Therapeutic devices are more expensive and have higher profit margins, and increasing this share is important for the development of the Japanese industry as a whole. In terms of trade balance, the trade deficit for medical devices is approximately 800 billion yen to 1 trillion yen, while the trade deficit for pharmaceuticals is approximately 3 trillion yen. Japan’s overall market for medical devices is approximately 4.4 trillion yen, with imports increasing year by year, and the domestic self-sufficiency rate has recently reached approximately 50%. Among these, about 80% of treatment equipment relies on imports, and the domestic self-sufficiency rate is about 23%, indicating a very low self-sufficiency rate in a field that holds the very foundation of life. The medical industry is a major industry that can contribute to the future growth of the Japanese economy. If patents can be obtained and new medical devices can be developed that can

be used in overseas medical facilities, this is a field that has the potential to become a major export force. If there are problems with regulations, market practices, and insurance reimbursement prices, it is necessary to eliminate these barriers and establish a system that facilitates the development of medical technologies.

(2) Issues

Comparing Japan, which has universal health insurance, and the US, where private insurance is the norm, expensive medical equipment is used in the US, where insurance reimbursement prices are higher. In Japan, reimbursement prices for medical equipment are lower than in the US. In terms of providing equal medical services, Japan is superior with lower out-of-pocket costs for patients, but in the US, where the gap between the rich and the poor is normalized, inequality is progressing. The wealthy in the US are more likely to enjoy quality, cutting-edge medical care. The current trend will be further strengthened by the depreciation of the yen, which will greatly reduce the attractiveness of the Japanese market for US companies and thus increase the likelihood that they will not expand into the Japanese market. Particularly in the field of therapeutic devices, there is a risk that the latest technology and equipment will no longer be available in Japan, and Japanese will not be able to receive the latest medical care.

Another factor that may have contributed to the failure of the therapeutic device industry to grow in Japan is the fact that, in the case of therapeutic devices, the death of a patient would cause significant social damage, whereas such concerns are unnecessary in the case of diagnostic devices. In the case of US companies, there is pressure from shareholders for high profit margins, even if there is risk, and they tend to choose to develop therapeutic systems with high profit margins.

(3) Measures

a) Innovation

- There is room for rethinking Japan's universal public medical insurance system from the perspective of innovation. In order to stimulate innovation, it is necessary to create a role model for doctors and researchers to start their own businesses and succeed, as at Stanford University in the US. In general, such a culture of entrepreneurship will not emerge in a growth model of lifetime employment and seniority.
- Public medical insurance should provide generous coverage for serious illnesses, but it is important to distinguish between public medical insurance and private medical insurance. It is necessary to examine whether Japan's private life insurance system can cover the portion of medical expenses beyond the amount that can be covered by public medical insurance.
- In Japan, where research funding in academia and elsewhere is scarce compared to Europe and the US, measures are needed to raise private funds for research through corporate donations and crowdfunding, and to enable researchers to continue their research through donation-type funding. Kyoto University continues to receive endowment-type funding, as called for by Prof. Shinya Yamanaka, and we believe a similar approach is feasible.

b) Digitalization

- Promotion of hospital digitization is a prerequisite for smooth utilization of state-of-the-art diagnostic and treatment equipment. Medical treatment collaboration and data sharing among different hospitals is important, and for this purpose, system compatibility and standardization of database structure should be promoted.
- It is important to facilitate the operation of the regional medical information coordination network that is being established.

c) Human capital investment

- In order to promote the development of therapeutic devices, it is important to have a smooth supply of first-in-men (investigators) to serve as the first experimental subjects. Currently, the Ministry of Health, Labour and Welfare (MHLW) is investing national funds to study this issue in the core clinical trial hospitals. Efforts should also be made to make transparent the explanation of the content of clinical trials to be reviewed by the Clinical Trial Review Committee for foreign investigators.

d) Dealing with specific issues

- In order to promote the latest medical equipment, it is necessary to reconsider Japan's universal public medical insurance system.

[Drug lag, drug loss and drug price reform]

(1) Current condition

Clinical development of new drugs in Japan has stagnated, and the number of new drugs approved in Europe and the US but not yet approved in Japan has increased, and the percentage of unapproved drugs now accounts for about 70% (*Chart 12*).

For example, avapritinib, a treatment for GIST (Gastrointestinal Stromal Tumor, a rare cancer), is one of the most important anticancer drugs, but it is currently not available in Japan. The current situation is not so much a drug-lag situation as a drug-loss situation.

(2) Issues

The main reason for this is that, compared to Europe and the US, drug prices are very low at the time they are listed on the insurance market. Furthermore, the financial capacity of the medical insurance system is limited for expensive drugs with large sales, which puts pressure on insurance finances, and drug prices are lowered at the time of biennial drug price revisions through the use of various exceptional calculation standards, such as market expansion re-calculation, to keep prices within insurance financial capacity. As a result, incentives for the development of innovative drugs are severely hampered.

(3) Measures

a) Innovation

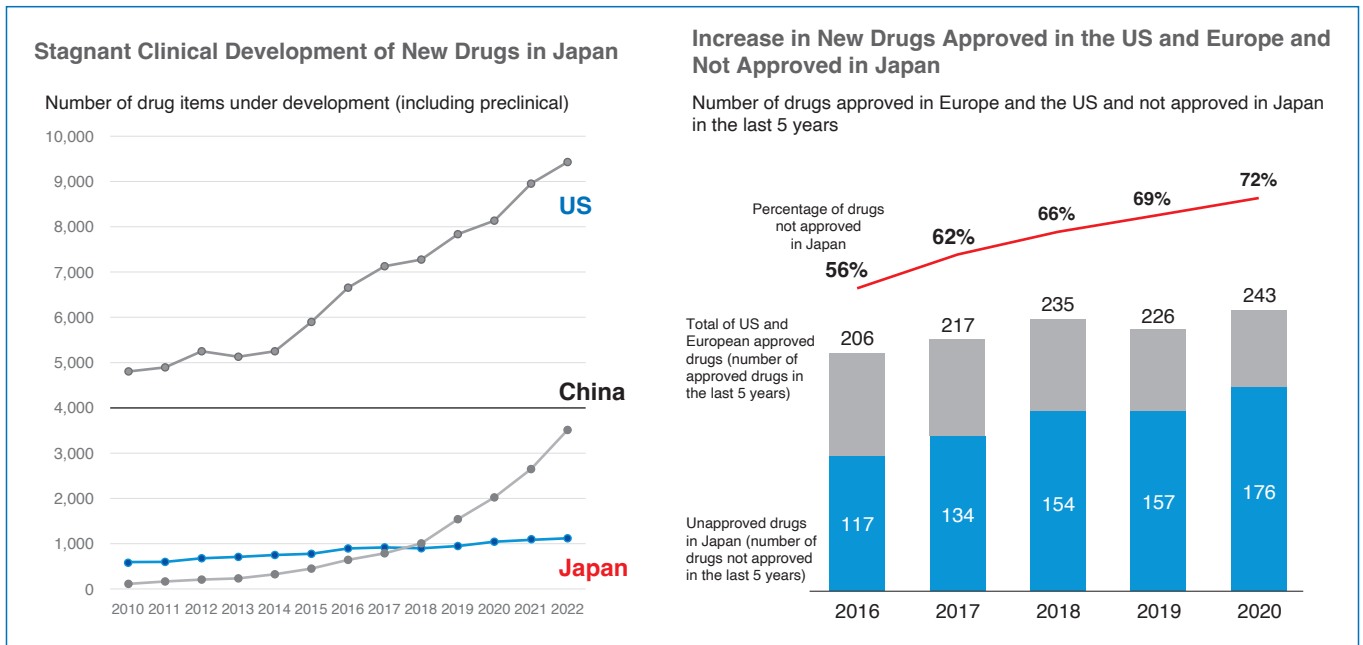
Combining medical big data and next-generation AI to make drug discovery super-efficient and productive.

b) Digitalization

Developed a therapeutic application that promotes and treats

CHART 12

Drug lag/loss problem ①



Source: PharmaProject

Source: Office of Pharmaceutical Industry Research

behavior change through personalized messages and videos.

e) Human capital investment

The knowledge and skills of pharmaceutical companies and researchers involved in drug discovery need to be enhanced with respect to digital technology, AI, and big data.

d) Addressing specific issues

It is problematic that innovative new drugs are not reaching Japanese patients due to drug loss. While establishing firm rules for the growth of total drug costs, it is necessary to review the market expansion recalculation and its special provisions, including the formulation of new rules for the NHI drug price listing system, which will properly set prices commensurate with value. In such cases, a study group of pharmaceutical manufacturers, private insurance companies, patient groups, academics, and others should examine what kinds of drugs could be substituted for private insurance in areas beyond the amount covered by public medical insurance, in cooperation with private life insurance.

If there are other invisible barriers in the medical/nursing care field, it is also necessary to create a system that allows people to try using devices created through research and development in medical/nursing care settings.

Possible measures to promote clinical trials include simplifying the clinical trial procedures, strengthening the personnel of the Pharmaceuticals and Medical Devices Agency (PMDA), which is in charge of reviewing the approval of clinical trials, and promoting educational activities on the benefits of clinical trials.

Conclusion

Japan's service industries have tremendous potential. Each sector has the potential to transform itself into a key industry if the public and private sectors focus a little more effort on digitalization, strengthening overseas-oriented activities, and human resource development, in line with these recommendations. In particular, the fact that the majority of Japan's service industries are limited to domestic activities is considered to be a major impediment to their development.

In order to strengthen the international competitiveness of the service industry, it is necessary to have a wide range of strategic moves when expanding overseas, including bilateral negotiations, multilateral negotiations, and negotiations with international organizations. Otherwise, if Japanese service industries attempt to expand overseas, they will be rounded up and their overseas expansion may be blocked. Policymakers should also become professionals in their respective service fields and reach a level of knowledge accumulation in these fields that is second to none. Furthermore, it is necessary to develop policymakers who can consider the consistency of policies from a macro perspective.

There are many aspects of overseas expansion on the part of individual service companies that are difficult for the private sector alone. A public-private partnership on the policy and political fronts is essential, including support from the local JETRO (Japan External Trade Organization) and negotiations with the partner country's government and international organizations through public-private partnership.

As Japan's exports to foreign countries decline, globalization of the service industry is an urgent priority.

Strategies for Japan's service industry: making the service industry a source of prosperous growth

	Service industry as a whole	IT-related services	Tourism	Entertainment
Present	<ul style="list-style-type: none"> • Both value-added and worker share increased. Important sectors! (GDP share: 52% 1970 → 73% 2020) • Suffering from low productivity (50% of US 2017) and balance of payments deficit 	<ul style="list-style-type: none"> • Software is the mainstream instead of hardware. Furthermore, cloud services are predominant (efficiency of traditional software development declining). • Low productivity of IT companies due to low mobility of human resources (sales per employee: 30 million yen in the US, 19 million yen in Japan / AI adoption ratio: 72% in the US, 50% in Japan) 	<p>Steady recovery of inbound tourism from the corona virus disaster and increase in inbound consumption, which is expected to reach a record high of 33.1 million in 2024. France is at 100 million. Japan's government target is 60 million. (2030)</p>	<ul style="list-style-type: none"> • Content, online market expansion, (global market share: US 43%, China 19%, Japan 7%, South Korea 3%) • Overseas Market Expansion • Fostering related industries
Issues	<ul style="list-style-type: none"> • Low prices that do not reflect quality • Low labor productivity • Sluggish domestic investment opportunities • Improving services balance of payments deficit 	<ul style="list-style-type: none"> • Low and stable multiple subcontractor structure entrenched without organizational reform • Expanding digital trade deficit 	<ul style="list-style-type: none"> • High value-added • Revitalization of local economy • Elimination of low productivity in accommodations, etc. • Human resource development • Responding to overtourism 	<ul style="list-style-type: none"> • Overseas Expansion • Digitalization • Integration with other fields • Human Resource Development
Countermeasures	<p>Aggressive measures</p> <p>a) Innovation promotion b) Digitalization c) Human capital investment</p> <p>Environmental Improvement Measures</p> <p>a) Regulatory reform b) Exit facilitation c) Maintain population agglomeration d) Ensuring employment mobility e) Development of digital infrastructure</p>	<p>a) Innovation</p> <ul style="list-style-type: none"> • Productivity improvement through standardization and componentization in non-competitive areas and in-house production in competitive areas • Utilization of AI revolutionary trends <p>b) Digitalization</p> <ul style="list-style-type: none"> • Utilization of AI, promotion of cloud computing with ICT investment <ul style="list-style-type: none"> • Cultivation of AI startups to replace GAFA <p>c) Human capital investment</p> <ul style="list-style-type: none"> • Training to improve the competence of engineers • Mobilization of quality engineers to make it easier for AI to enter the organization 	<p>a) Innovation</p> <ul style="list-style-type: none"> • Creation of high value-added tourism • Cultivation of DMCs (tourism strategy planning companies) that bring together diverse players <p>b) Digitalization</p> <ul style="list-style-type: none"> • Improving service efficiency and designing tourist cities with data and AI <p>c) Human capital investment</p> <ul style="list-style-type: none"> • Improvement of English and other communication skills • Cultivate high-level human resources such as professional guides to meet the needs of wealthy foreign tourists <p>d) Addressing specific issues</p> <ul style="list-style-type: none"> • Raising service prices in line with higher value-added services • Leveling of demand through the introduction of dynamic pricing • Addressing overtourism through infrastructure development, etc. 	<p>a) Innovation</p> <ul style="list-style-type: none"> • Integration of tourism and animation (e.g. construction of Dragon Ball theme park in Saudi Arabia) • Promotion of overseas expansion <p>b) Digitalization</p> <ul style="list-style-type: none"> • Anti-piracy • Fusion of telecommunications and broadcasting <ul style="list-style-type: none"> • Developing new areas such as e-sports • AI literacy development • Development of music copyright processing rules <p>c) Human capital investment</p> <ul style="list-style-type: none"> • Development of Information Management Innovation Professional University (IU) • Cultivation of producers and marketing strategy specialists capable of overseas expansion

Source: Compiled by the Study Group on the Service Industry in Japan, Nov. 12, 2024

Strategies for Japan's service industry: making the service industry a source of prosperous growth

Medical Care Services				
	Medical inbound	Nursing robot	Medical equipment	Medical supplies
Present	Utility is great, but disastrous (500,000 Singaporeans, 500,000 South Koreans, 1.2 million Malaysians, 20,000-30,000 Japanese)	Decrease in the number of healthy elderly people and rapid increase in nursing care costs (Nursing care expenses: 3.6 trillion yen in 2000 → 16.4 trillion yen in 2025)	Low self-sufficiency in therapeutic equipment is serious. (In diagnostic equipment, endoscopes have a certain level of competitiveness, with a 99% share of the global market, but the share of therapeutic equipment is almost 0%)	Stagnant clinical development of new drugs. In addition, the number of new drugs approved in Europe and the US but not yet approved in Japan is increasing (the ratio of unapproved drugs in Japan is 72%)
Issues	Breaking free from the psychological bondage of "free medical care = preferential treatment for the rich Singapore has a population of less than 6 million, but is surrounded by hundreds of millions of wealthy people.	Reducing the cost of care robots and customizing the technology to the individual needs of the elderly	Reimbursement prices are lower than actual prices in other countries , which prevents medical devices from being introduced in Japan (device gap) and also prevents innovation due to reimbursement prices that do not cover domestic development costs.	Price of a new drug is too low at the time it is covered by insurance → Hampers incentives for drug discovery
Countermeasures	<p>a) Innovation</p> <ul style="list-style-type: none"> • Promotion of medical tourism • Construction of wellness resorts (integration of physical checkups and tourism) <p>b) Digitalization</p> <p>Rationalization of hospital management, unification of medical data standards, collaboration with overseas hospitals</p> <p>c) Human capital investment</p> <ul style="list-style-type: none"> • Invitation of foreign doctors • Training of personnel capable of triage (selection of appropriate responses), emergency response, and hospital management experts <p>d) Addressing specific issues</p> <ul style="list-style-type: none"> • Cooperation between the medical industry and the travel industry 	<p>a) Innovation</p> <ul style="list-style-type: none"> • Development of various robots through modularization, etc. <p>b) Digitalization</p> <ul style="list-style-type: none"> • Digitalization of nursing homes <p>c) Human capital investment</p> <ul style="list-style-type: none"> • Education to increase digital literacy to use nursing care robots 	<p>a) Innovation</p> <ul style="list-style-type: none"> • Create role models for physicians and researchers to start successful businesses • Considering treatment of advanced medical care through the use of private insurance similar to that in Europe and the US • Expanding the market for advanced treatment opportunities <p>b) Digitalization</p> <ul style="list-style-type: none"> • Digitize data for effective use, ensure compatibility of data utilization in systems between hospitals (promote utilization of data from over 100 million people) • Activation of regional medical information networks <p>c) Human capital investment</p> <ul style="list-style-type: none"> • Smooth supply of first-in-man (investigator) for clinical trials <p>d) Addressing unique challenges</p> <ul style="list-style-type: none"> • The need to rethink Japan's public health insurance system with universal health coverage 	<p>a) Innovation</p> <ul style="list-style-type: none"> • Combining medical big data with next-generation AI to make drug discovery super-efficient and improve productivity <p>b) Digitization</p> <ul style="list-style-type: none"> • Development of therapeutic applications <p>c) Human capital investment</p> <ul style="list-style-type: none"> • Spread digital literacy and AI literacy <p>d) Addressing specific challenges</p> <ul style="list-style-type: none"> • Introduce a price matching system (consider a subsidy system like that for EVs [electric vehicles]) • Consideration of substituting private insurance for the portion beyond the amount covered by public insurance (consider subsidies for income groups below a certain level)

Source: Compiled by the Study Group on the Service Industry in Japan, Nov. 12, 2024

The Japan Economic Foundation (JEF) initiated the Study Group on the Service Industry in Japan with prominent Japanese experts in May 2024 and will conclude its role by publishing recommendations in early 2025.