

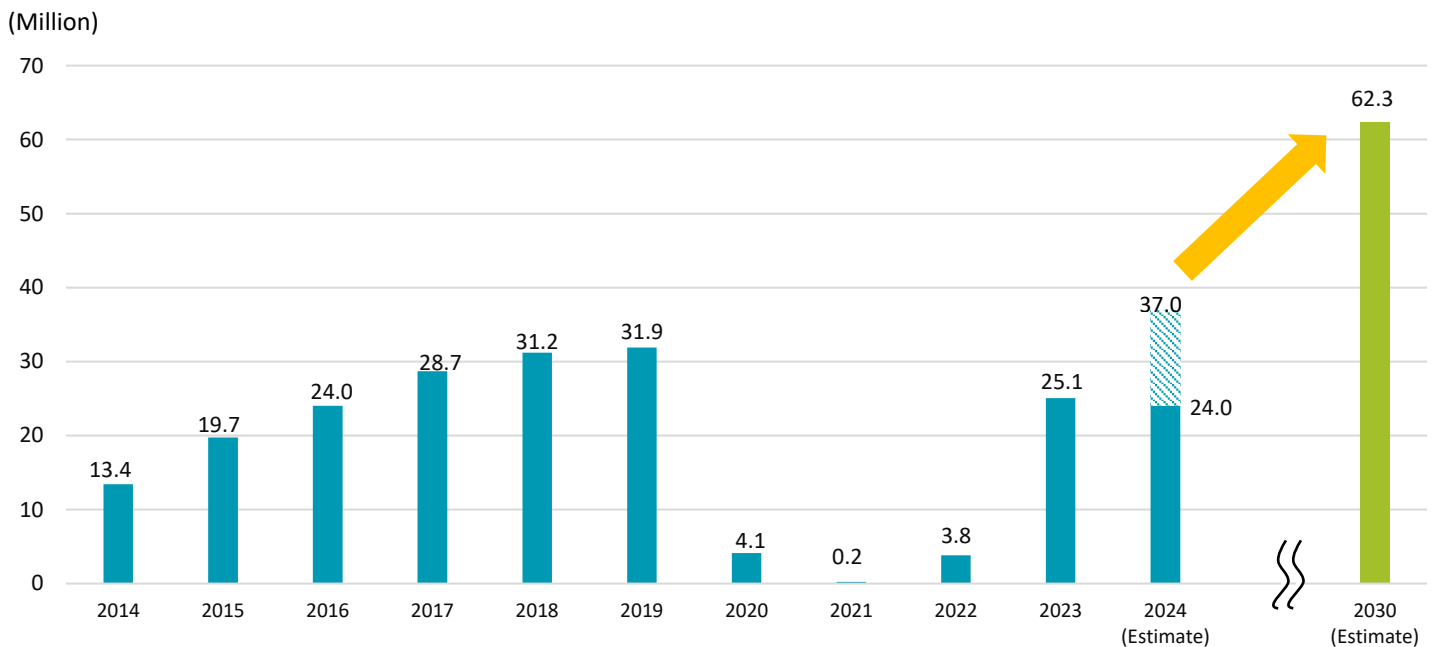
## SuMi's Coffee Break Column – Achieving Sustainable Inbound Tourism in Okinawa

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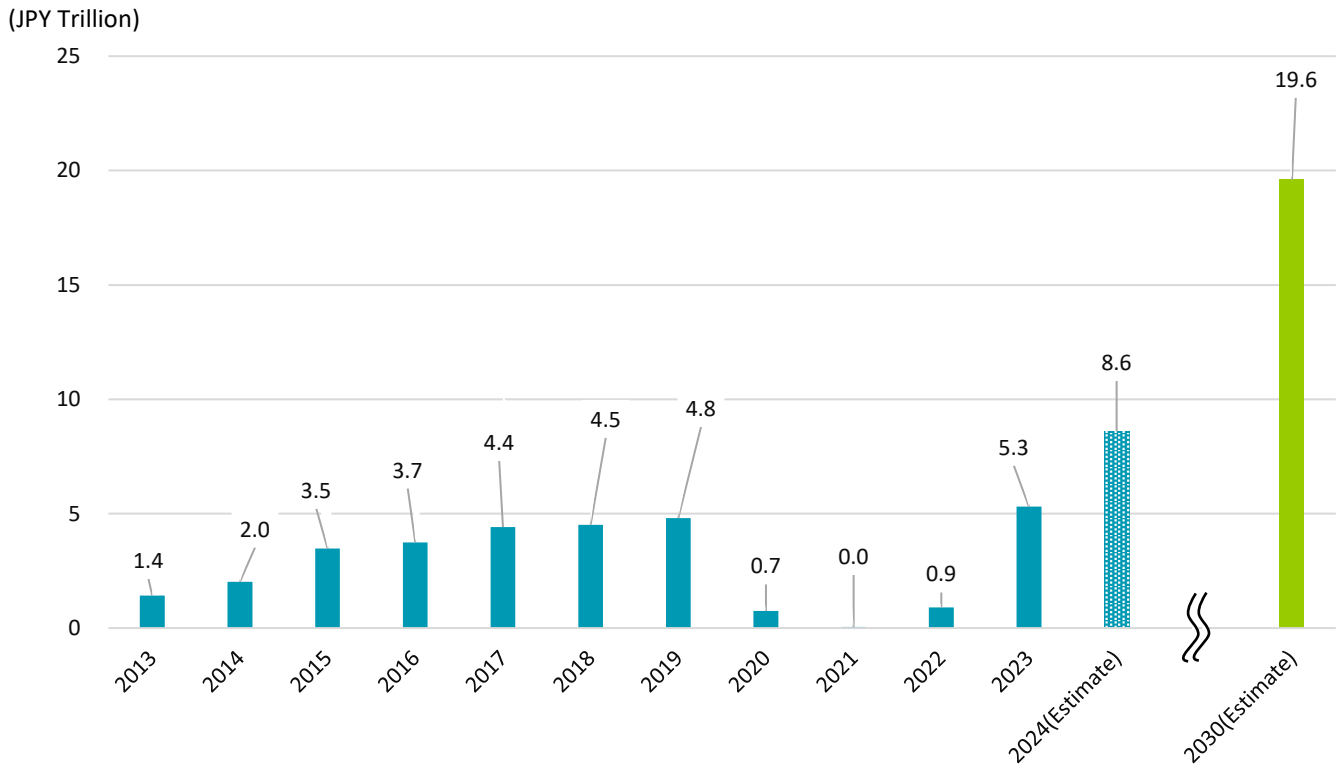
### Growing Inbound Tourism

The number of foreign tourists visiting Japan increased each month in 2023, surpassing pre-COVID levels in October 2023. This number is expected to keep rising into next year and beyond. Part of the driving force behind this is that the Japanese government has introduced various policies aimed at achieving its target of 60 million inbound tourists per year by 2030. Furthermore, spending by overseas tourists visiting Japan is also on an upward trend, supported by rising prices in sectors such as hotels, with the government setting a significant goal to achieve 15 trillion yen in annual tourist spending by 2030. This would be roughly three times the total spending by foreign tourists in 2023.

**Graph 1 Tourists Arrivals in Japan by Year**



Source: JTNO, SuMi TRUST AM (as of the end of August 2024)

**Graph 2 Spending by Tourists Visiting Japan**


Source: Japan Tourism agency, SuMi TRUST AM (as of the end of August 2024)

However, the impact of record-breaking numbers of tourists is not always positive. For example, the heavy concentration of tourists visiting destinations such as Kyoto and Kamakura has resulted in an important debate about overtourism. Additionally, the burden of hosting short-stay visitors can outweigh any economic benefits, with the cost of waste management and other issues falling on the shoulders of the local community. Okinawa Prefecture is attempting to combat this issue by working hard to encourage tourists to stay for longer. Here we will look at some of Okinawa's charms.

### **Junglia: A Potential Transformative Force for Okinawan Tourism**

The Japan Tourism Agency (JTO) has formulated ten policies to increase the annual number of foreign tourists coming to Japan, and aims to increase the average length of stay in Japan and to encourage tourists to visit a range of attractive destinations across the country rather than the standard destinations of Tokyo, Kyoto and Osaka. In the case of Okinawa, it is already one of the world's premier resort destinations, boasting an annual number of tourists comparable to Hawaii. Okinawa benefits from its geography: while there are no cities within three hours by plane from Hawaii, the major Asian cities of Hong Kong, Shanghai, and Seoul are all within a three-hour flight radius. The ability to capture tourist demand from the growing economies of Asia is a source of significant tourist potential for Okinawa.

However, while the average stay in Hawaii is about eight days, tourists coming to Okinawa stay for less than four. One of the reasons cited for this is its lack of tourist attractions. It is hoped that the opening of the Junglia resort in Okinawa in 2025 will increase that average stay. Junglia will span 60 hectares, making it slightly larger than Universal Studios Japan in Osaka, and will allow visitors to enjoy a breath-taking forest landscape that can only be found in northern Okinawa. Attractions for visitors to enjoy will include hot air balloon rides, safari rides through the forest, and extensive zip-lines. The resort also plans a variety of facilities including spas and observation decks for guest relaxation. It takes about an hour and a half to drive to Junglia from Okinawa's prefectural capital Naha, but despite the distance it could result in a significant increase in the length of a stay if it is successful at convincing visitors to extend their journey to explore this forest region.

### **The Already Popular Attraction, Churaumi Aquarium**

Near the planned site for Junglia, there is already a highly popular tourist spot in Okinawa: the Churaumi Aquarium. Therefore, Okinawa plans to encourage visitors to stay nearby and visit both attractions during the same trip. With an annual attendance of 3.6 million people, Churaumi Aquarium is the most visited aquarium in Japan, and is visited by nearly half of Okinawa's 7.2 million tourists every year.

Churaumi Aquarium replicates the marine environment surrounding Okinawa, from shallow waters to the deep seas that lie approximately 700 meters below sea level. Its biggest tank is one of the largest in the world with a depth of 10 meters, a width of 35 meters, and a length of 27 meters, and is home to an 8.8-meter-long whale shark and manta rays, both of which are designated as endangered species. The sheer scale and presence of these marine giants is truly awe-inspiring. Providing an opportunity for children to see these real creatures up close fosters awareness of biodiversity and marine conservation, both issues that increasingly important and are actively being addressed by the aquarium itself.

### **Celebrating Okinawa's Distinctive Culture**

Near Junglia, there lies the Nakijin Castle Ruins - one of the 100 Famous Castles of Japan. This prestigious *gusuku* (castle) covers an area of about 8 hectares and boasts an impressive 1.5 kilometres of castle walls. The view from the castle ruins, situated on a hilltop overlooking the sea, is absolutely stunning.

### *Gusuku* (Castle)



Arched Gate in the Castle Walls



As the site of the former Ryukyu Kingdom with an extensive history of relations with the Chinese mainland, Okinawa has developed in a way that is significantly different in culture and tradition from mainland Japan. Even after the Ryukyu Kingdom came under the rule of the Satsuma domain (the rulers of what is now Kagoshima Prefecture) in 1609, it continued to engage in trade with various foreign countries, absorbing aspects of both Japan and China alongside its own unique Ryukyu culture.

A glimpse into the history of Ryukyu can be seen in its *gusuku* castles. Unlike the characteristic sharp-cornered, linear stone walls and moats of mainland Japanese castles, Okinawan *gusuku* are known for their graceful, curved stone walls, constructed with advanced masonry techniques. The castle ruins and related structures, including the previously mentioned Nakijin Castle and Shuri Castle in Naha, were registered as World Cultural Heritage sites in December 2000. Many traditional buildings from the Ryukyu Kingdom era still remain, allowing visitors a unique opportunity to step back in time.

### **Conclusion**

When it comes to traveling to Okinawa, the focus has traditionally been on beach resorts and marine sports. However, if one were to venture off that beaten track, Okinawa offers a variety of attractions, including World Natural Heritage sites, interactions with nature, and traditional culture. Visitors will be able to appreciate a new side to Japan that they might not have discovered otherwise. Okinawa has a good chance of achieving its target to extending the average stay of each visitor. We highly encourage you to visit Okinawa Prefecture before it gets too busy and experience its charms for yourself.

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Katsunori Ogawa is the founder and Chief Portfolio Manager of the Sakigake High Alpha strategy. He has more than 25 years of experience in the asset management industry. Katsunori joined the firm in 1994 and started his asset management career as a client relationship manager for public pension funds in 1997. In 2003, he launched the original Sakigake strategy and after accumulating ten years of exceptional returns, an investor requested Katsunori manage the portfolio with a higher risk/return profile in 2013. This led to the creation of Sakigake High Alpha. He was one of the earliest managers to identify trends such as China's growing consumption and the proliferation of e-commerce, as well as the changes that high-performance semiconductors are bringing to Japanese society. He has been leading the team since the inception of the two strategies.

Katsunori has been honoured with the Japan Best Equity Manager award at the Asia Asset Management Country Awards for five consecutive years, from 2020 to 2024. He holds a BA in economics from Keio University, and is both a Certified Member Analyst of the Securities Analysts Association of Japan (CMA) and a Certified International Investment Analyst (CIIA).

