

Executive Summary

- Japan's inbound tourism reached **42.7 million visitors in 2025**, supported by yen depreciation; however, growth momentum is becoming increasingly uneven due to a sharp contraction in Chinese inbound demand.
- Heightened Japan–China geopolitical tensions have materially reduced arrivals from China, increasing downside risk for regions with high exposure to a single source market.
- **Nagano Prefecture exhibits comparatively low downside risk**, supported by its limited reliance on Chinese visitors and its diversified inbound base concentrated in Australia, Europe, Taiwan, and Southeast Asia.
- Historical evidence, including the **2012 Senkaku Islands episode**, indicates that Nagano has demonstrated relative stability during periods of sharp Chinese inbound declines.
- While seasonality and labor constraints remain structural challenges, ongoing green-season expansion is gradually improving earnings stability, supporting a **defensive investment profile** within Japan's inbound tourism sector.

What Kind of Place is Nagano?

Nagano Prefecture, situated in the heart of Japan's Northern Alps and often called the "Roof of Japan," stands out as a highly resilient and diversified inbound tourism destination. Surrounded by majestic 3,000-meter peaks and encompassing vast natural parks, Nagano offers condensed access to world-class nature, history, culture, and outdoor adventures—all within easy reach from major cities.

As the host of the 1998 Winter Olympics, Nagano enjoys strong global recognition. Iconic destinations such as Hakuba (world-renowned for its powder snow and expansive ski terrain), Nozawa Onsen (famous for authentic hot springs combined with excellent skiing), Jigokudani Snow Monkey Park (internationally celebrated for its wild Japanese macaques bathing in natural hot springs), and Karuizawa (a historic and upscale summer resort beloved by international visitors) have long established Nagano's reputation among skiers, adventure travelers, wildlife enthusiasts, and those seeking cool escapes from urban heat.

With exceptional accessibility—just 80–110 minutes from Tokyo via the Hokuriku Shinkansen to Nagano Station—Nagano serves as a seamless extension or alternative to Japan's traditional "Golden Route," delivering premium, authentic Japanese experiences in a compact and convenient package.

1. Japan's Inbound Tourism Surpasses 40 Million Visitors

- Inbound tourism, one of the few structural growth sectors since the launch of Abenomics(2013～), has continued to expand steadily. According to preliminary figures released by the Japan National Tourism Organization (JNTO) on the 21st, inbound visitor arrivals in 2025 reached 42.7 million, surpassing the 40 million milestone. Tourism consumption also hit a record high of JPY 9.5 trillion (Figure1). Supported by the ongoing depreciation of the yen since late last year, inbound demand remains a key driver of Japan's economy.
- That said, downside risks have become increasingly visible. Amid heightened Japan–China geopolitical tensions surrounding Taiwan, a sustained decline in Chinese inbound travel is likely. Some forecasts suggest a year-on-year contraction in total inbound visitors in 2026. In December 2025, while total inbound arrivals set a new monthly record driven by Europe and the U.S., arrivals from China alone declined 45% year-on-year. This weakness was largely driven by Chinese government travel advisories and reduced flight capacity.
- With the Lunar New Year—China's most important holiday period—approaching, regions with high exposure to Chinese visitors are likely to face mounting economic pressure. Given the current bilateral environment, I expect Chinese inbound demand to remain subdued in the near term.

Figure 1: Trends in the Number of Visitors to Japan

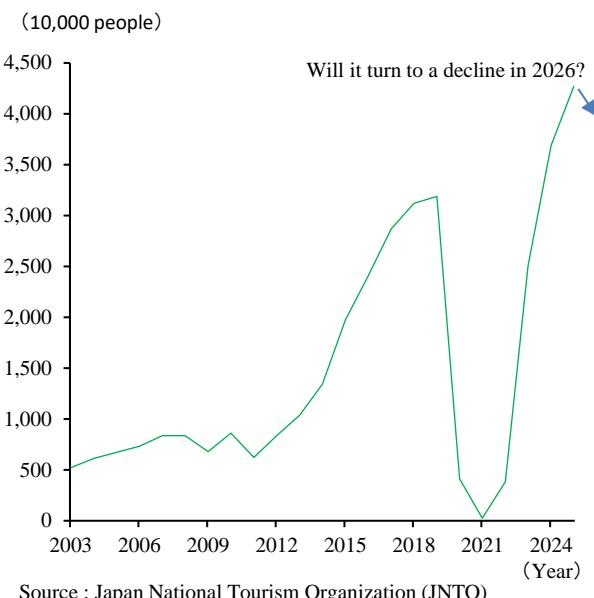
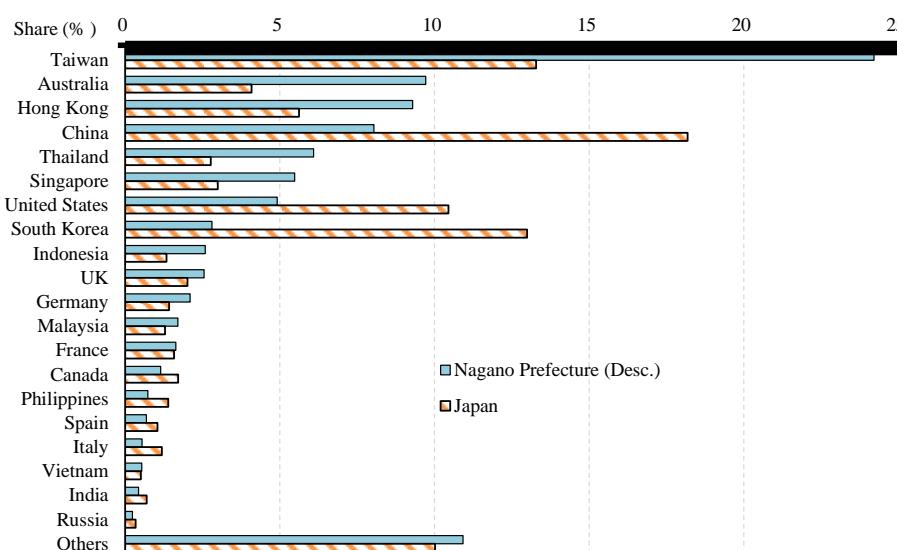


Figure 2: Nationality Composition Ratio of Total Overnight Stays in 2024



Source: Japan Tourism Agency, 'Overnight Travel Statistics Survey'

Note: The survey covers facilities with 10 or more employees.

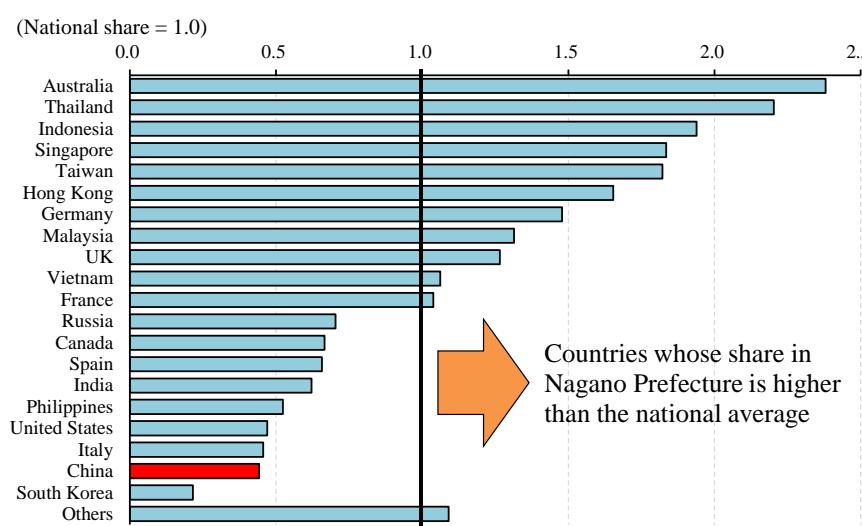
- Against this backdrop, I believe Nagano Prefecture is structurally well positioned to outperform, supported by

its low dependence on China and a diversified visitor base dominated by key partner markets such as Australia, Europe, and Taiwan. In addition, continued yen depreciation—including against cross currencies—should further support inbound spending. Going forward, Japan's inbound strategy should emphasize regional diversification to reduce vulnerability to geopolitical headwinds. This report highlights the investment attractiveness of Nagano's inbound tourism sector from this perspective.

2. Nagano's Structural Resilience Amid Japan–China Tensions

- To examine the nationality profile of inbound visitors to Nagano Prefecture, I analyzed foreign overnight stays using the Japan Tourism Agency's Accommodation Travel Statistics. As shown in [Figure 2](#), inbound demand in Nagano is heavily concentrated among Taiwan, Australia, and Hong Kong, while China—Japan's largest inbound market at the national level—ranks only fourth.
- To quantify this difference, I calculated location quotients based on nationality composition ratios for Nagano versus the national average ([figure3](#)). The results indicate that Nagano has structurally lower exposure to China and South Korea, both of which have experienced sharp inbound declines during past diplomatic frictions. In contrast, Nagano shows relatively high exposure to friendly and fast-growing markets such as Australia, Thailand, Indonesia, and Taiwan. Visitor arrivals from these economies are likely to expand steadily, supported by economic growth and Japan's sustained tourism appeal.

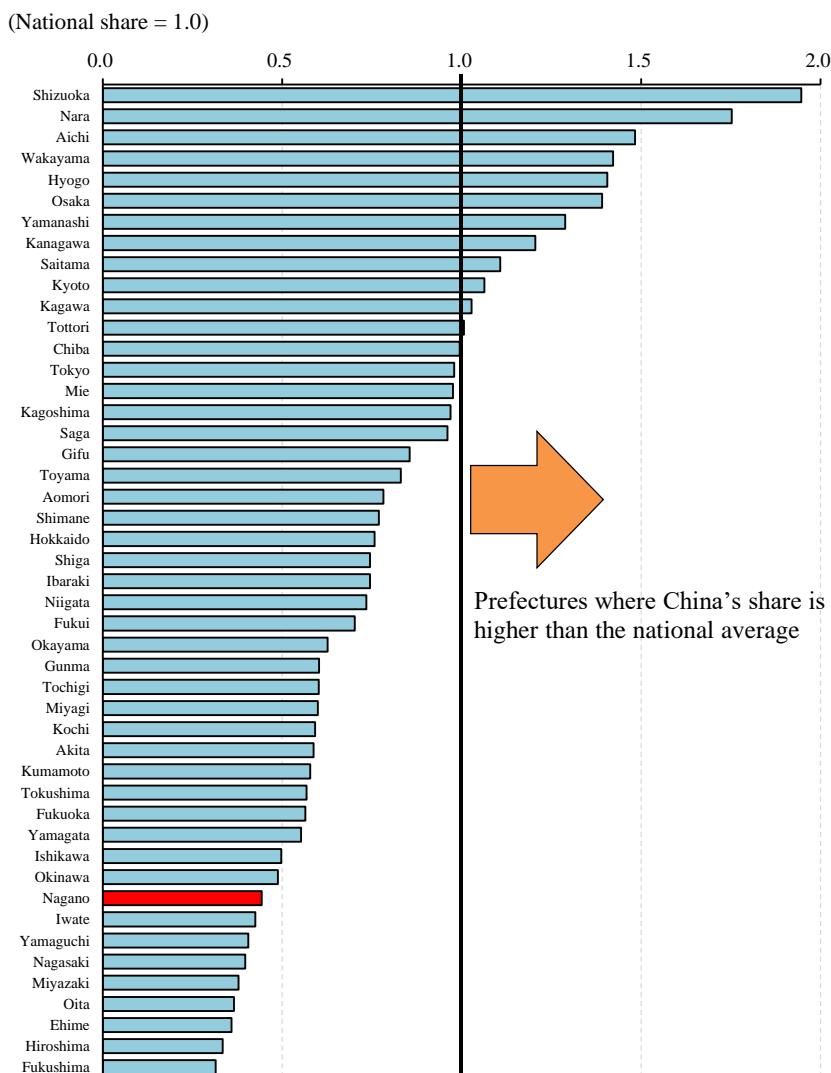
[Figure 3](#): Location Quotient of the Nationality Composition Ratio of Total Foreign Overnight Stays in Nagano Prefecture



Source: Japan Tourism Agency, 'Overnight Travel Statistics Survey'

- During the upcoming Lunar New Year period (a nine-day holiday beginning February 15), regions with high reliance on Chinese visitors are expected to experience material downside impacts. While localized effects in Nagano are possible, I expect the overall impact to remain limited.
- Prefectures facing greater downside risk include Shizuoka, followed by Nara and Aichi ([figure4](#)). These areas form part of the inbound “Golden Route” and have struggled with overtourism, yet they remain highly competitive destinations. The current environment may provide an opportunity for these regions to rebalance demand toward domestic travelers and non-Chinese inbound markets.

Figure 4: Location Quotient of the Share of Chinese Guests in Total Foreign Overnight Stays by Prefecture (February 2025: Lunar New Year period of the previous year)



Source: Japan Tourism Agency, 'Overnight Travel Statistics Survey'

3. Historical Evidence: Lessons from the 2012 Senkaku Shock

- Following Japan's nationalization of the Senkaku Islands in September 2012, inbound arrivals from China declined sharply. To assess Nagano's relative performance during this period, I compared:(i) a nationwide aggregate inbound visitor index, and (ii) an inbound index weighted by Nagano's nationality composition of foreign overnight stays. While this approach does not account for cross-country differences in length of stay and relies on cumulative overnight data, it provides a reasonable approximation of demand sensitivity.
- The analysis shows that despite the sharp decline in Chinese visitors from October 2012 onward, Nagano's inbound growth outperformed the national average([figure5](#)). This confirms that Nagano's structurally low exposure to China provides offers meaningful resilience against geopolitical shocks.

4. Key Challenge: Seasonality and Structural Adjustment

- The primary structural challenge for Nagano's inbound tourism remains seasonality, driven by heavy reliance on winter ski demand. In areas such as Hakuba and Nozawa Onsen, Australian visitors seeking powder snow account for a large share of annual revenue, resulting in significant seasonal volatility. Labor shortages have

further intensified this issue, as securing temporary workers during peak winter months has become increasingly difficult.

- Encouragingly, efforts to strengthen the green season (April–October) are gaining momentum. Nagano Prefecture has actively promoted nature-based activities such as hiking and paragliding, diversifying its summer tourism offering. Notably, some ski resorts in the Hakuba area now attract more visitors during the green season than in winter, laying the groundwork for year-round utilization. Over time, these initiatives should meaningfully reduce seasonal volatility.

Figure 5: YoY changes in the number of Chinese visitors to Japan and the movement of the weighted inbound visitor index for Nagano Prefecture since the outbreak of the Senkaku Islands dispute (from September 2012 onward)



Source:JNTO,JTA

Note: The number of inbound visitors by nationality was indexed by weighting the national composition ratios from the Overnight Travel Statistics Survey(2024) with Nagano Prefecture's composition ratios.

For the national level, the number of inbound visitors from the same regions was simply aggregated and indexed.

When the ratio exceeds 1.0, Nagano Prefecture is considered to be in a more favorable position than the national average.

5. Conclusion

- In conclusion, I expect Nagano Prefecture's inbound tourism sector to remain resilient and competitive in 2026. Its low dependence on China, strong exposure to friendly markets, and continued yen weakness provide structural tailwinds. As green-season initiatives gain scale, seasonal imbalances should continue to ease, supporting more sustainable growth. I view Nagano's tourism sector as presenting attractive long-term investment opportunities.

Key Risks

- **Prolonged deterioration in Japan–China relations** could result in a deeper and longer-than-expected decline in Chinese inbound travel, weighing on national tourism growth despite regional diversification.
- **Labor supply constraints**, particularly during peak winter seasons, may limit the capacity of ski-oriented regions to fully capture inbound demand and could increase operating costs.
- **Abrupt currency reversals** or a sharp appreciation of the yen could weaken inbound spending momentum, especially from price-sensitive markets.

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