



Asian takeaways

Harajuku Crêpe



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“Since the new US president’s tariff talks have disrupted the market, the Tokyo Stock Exchange (TOPIX) has been weak, creating an attractive entry point for investors.”

During my time in Tokyo recently, I noted that I did not see other Japanese guests at my hotel. Rather, I saw many tourists from all over the world enjoying their holidays in my home country. My anecdotal observation has since been backed by data.

Recently, most of the tourists arriving in Japan have come from Korea, Taiwan, China, America and Australia, and notably, there has been a 70% year-on-year increase from Russia, the Middle East and China specifically. This is despite the yen’s appreciation from 160 to 150 per USD since last December. Japanese people, who have noticed how cheap Japan is compared to the rest of the world, have begun to begrudgingly accept the price hike. The 2025 Shunto number showed that the average wage hike was 5.37% (versus 5.91% in the previous year)¹, which was in line with market expectations. Major firms have the resources to boost wages, at present supported by anticipated strong earnings for the current fiscal year.

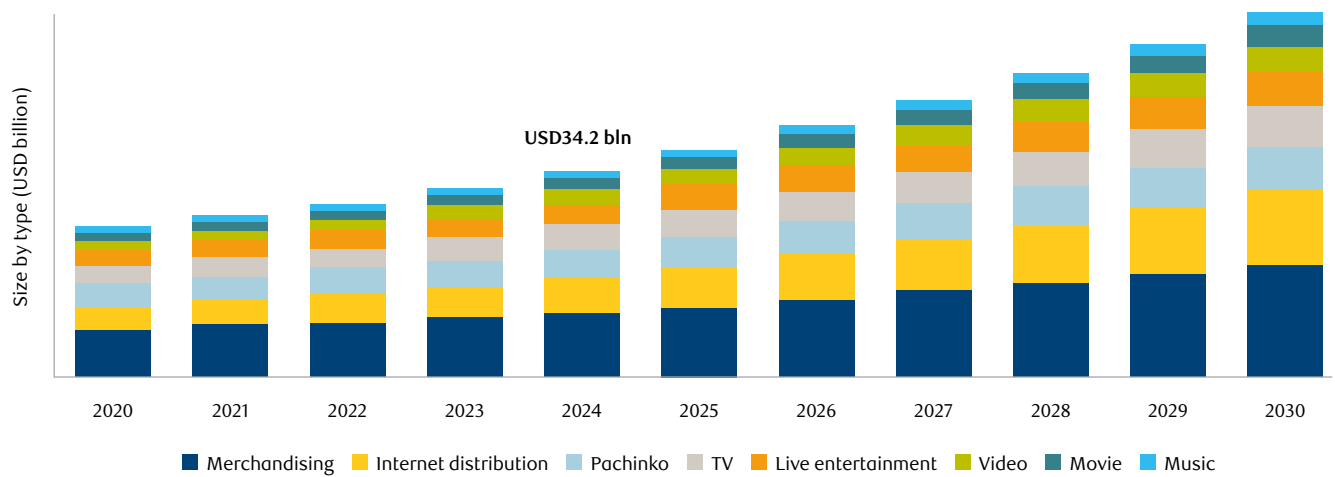
However, since the new US president’s tariff talks have disrupted the market, the Tokyo Stock Exchange (TOPIX) has been weak, creating an attractive entry point for investors. Fears are still present, so money is flowing into relatively defensive sectors. These have included names with strong domestic demand across the consumer discretionary, banking, construction, defence, and IT services segments. Among them, the most popular single space was that of intellectual property (IP) and gaming.

Globalisation of Japanese IP

Japan is a known powerhouse in relation to character and IP generation. For years, colourful characters from various companies have been exported all over the world and are recognisable in an instant – Pokémon (Pikachu is still my favourite), Hello Kitty, Anpanman, Ultraman and Godzilla to name a few. The trend continues with the strength of Chiikawa being the most recent in a storied history. This space, however, is also expanding. During Covid, anime – a distinct form of animation that originated in Japan, characterised by colorful artwork, vibrant characters, fantastical themes, and emotional narratives – took off globally as a major streaming offering, aided by platforms such as Netflix and Crunchyroll (anime-specific streaming, acquired by Sony in 2021).

¹ reuters.com/markets/asia/major-japan-union-group-says-agreements-struck-average-537-pay-hike-2025-03-13/.

Chart 1: Anime market



Source: grandviewresearch.com/industry-analysis/anime-market.

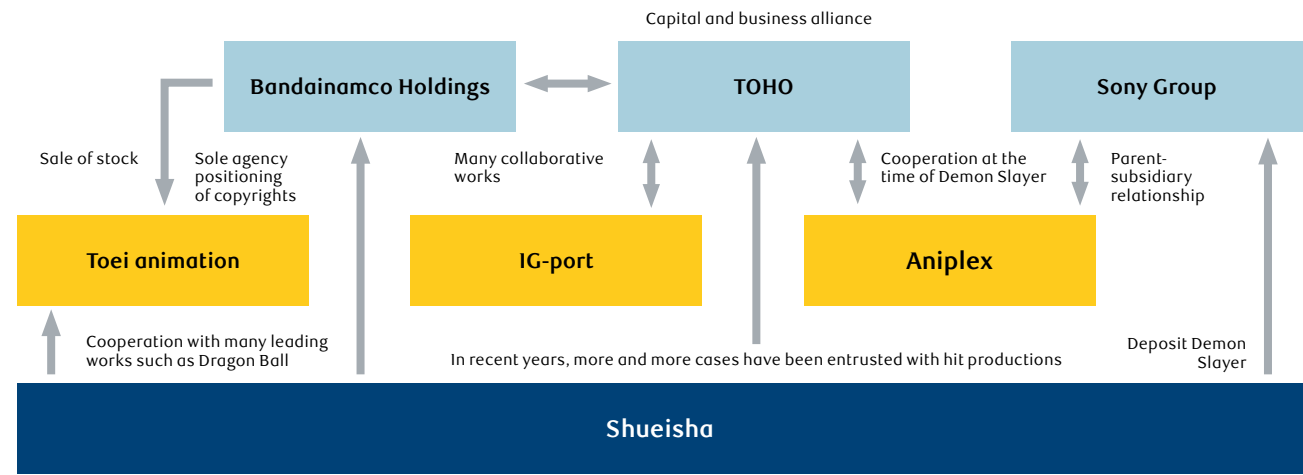
This aided the growth of what had first started as a niche Otaku hobby into a burgeoning market. In US dollar terms the market size grew from 21 billion in 2021 to 34 billion in 2024² (Chart 1). Streaming appears to be the optimal distribution platform for anime, with platforms receiving fresh and timely content, and it is less likely to feel outdated compared to other kinds of TV series due to its style.

Why has Japan been the birthplace for such popular animation? History plays some part. Worldwide hit titles such as Dragon Ball Z and One Piece were cultivated from Shonen Jump, a weekly manga magazine produced by published Shueisha. This Japanese publishing company collects 10 individual mangas into one magazine, which are then selectively consumed by sophisticated manga readers. Shueisha focused on its publishing businesses decades ago, allowing favourable partnership deals with Toei animation (for animation) and Bandai Namco (for merchandising) on its key IP (Chart 2).

Seeing the success of these lucrative deals, Toei competitor Toho also engaged its own deals with Shueisha for upcoming hot IPs: SPYxFamily and My Hero Academia. Shueisha then further licensed Demon Slayer to Sony, implying a shift in its commercial distribution.

Entertainment often requires viewers to have a common cultural understanding, which is why US entertainment was easily globalised. Why then has Japanese anime recently been more accepted in the world, especially in the West? Growing international collaborations, such as those between Japanese anime studios and Western production companies show us a signpost. For example, Tsuburaya Fields (2762 JP) launched the ‘Ultraman: Rising’ movie in collaboration with Netflix animation and successfully revitalised its legacy Ultraman IP. Other examples include Nintendo’s collaboration with Illumination, and Sanrio’s Hello Kitty collaboration with Warner Bros.

Chart 2: A bird’s eye view of the animation industry surrounding Shueisha



Source: SBI Securities, as at March 2025.

² grandviewresearch.com/industry-analysis/anime-market.

Monetisation of IPs

Manga IP is often used as the basis for an animation, which is then followed by a movie and attached merchandising and games. As the IP becomes more popular, it may expand into alternative collaborations – anything from high European fashion brands to Sushiro, a conveyor belt sushi restaurant chain. These business collaborations give IP holders high margin loyalty fees and strengthen the lifetime value of the IP.

Interestingly, not only animation but the related toy market has been growing in Japan post-Covid, despite the demographic challenges. Up until 2020, the toy industry had been flat, sitting around 800 billion yen (Chart 3). However, in 2023 it is estimated to have exceeded 1 trillion yen³, mainly driven by trading cards. There is no doubting their popularity to collectors; the news of a Pokémon card selling in excess of 5 million dollars shocked the world. There are several further mainstay trading card games produced by Japanese companies, such as Yu-Gi-Oh (Konami), One Piece (Bandai), Dragon Ball Z (Bandai) and Detective Conan (Tomy). Distributors of these told me directly that they believe trading card popularity is here to stay.

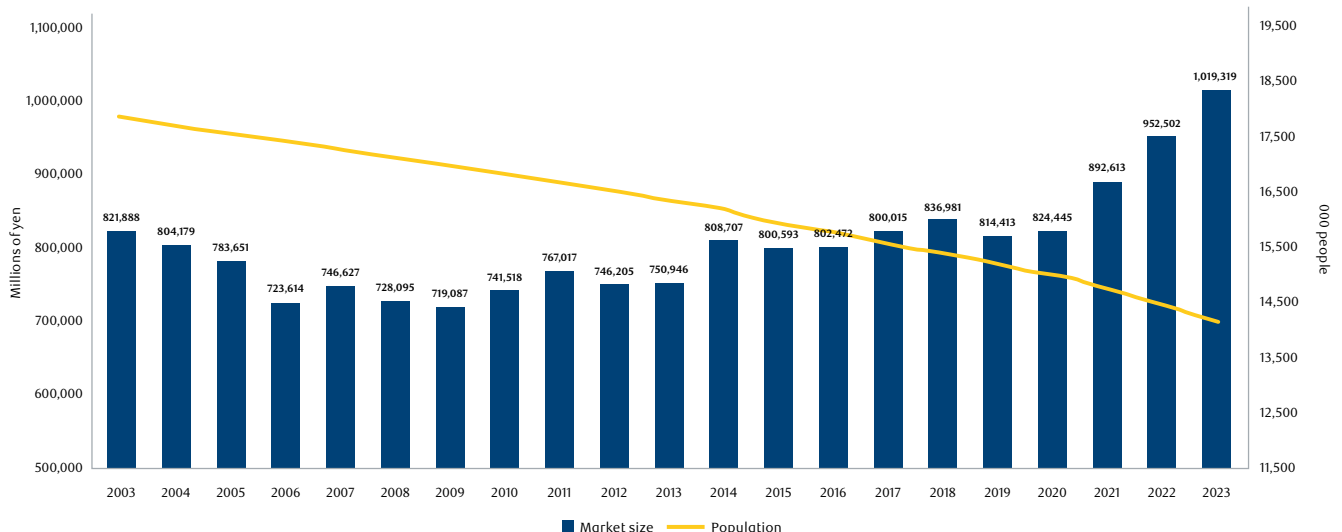
Spending by adults on IP is also increasing. Anime viewers' age range from the 20s to 50s and are equally distributed among both genders, according to Toho. Speaking to Japan Trading Card Company, individuals frequently spend more than 81,000 yen (USD560) monthly on trading cards, pushing corporates' margins up on merchandise. Toymakers like Bandai Namco also aim to increase ASP by developing higher-end collectable toys. This trend has already seen success globally, with companies such as Pop Mart at the fore.

In the previous business phase, Japanese companies were narrowly focused on their original business area, to the exclusion of opportunities that might exist outside it. However, Sanrio has proved how legacy IP can be revitalised for monetisation via many alternate methods that might sit outside the original comfort zone. When I met CEO Mr. Tsujino during our trip, he attributed the successful turnaround of the company to branding IP via social media platforms. Hello Kitty used to be associated with younger children, so the company intended to shift the perception to cool and trendy among the teenager and 20s crowd. Mr Tsujino has further plans to develop Sanrio into a global company, defining the goal to be “a company that adds value to all ages and genders”. He highlighted Fast Retailing's Uniqlo as a model to embody such value creation.



Hello Kitty's target market has broadened of late.

Chart 3: Changes in Japan's domestic toy market size and population under 15 years old (2003-2023)



Source: Statistics Bureau, Ministry of Internal Affairs and Communications. 'Population estimates' as of 1 October each year. Note: prices are list prices (manufacturers' suggested retail prices). Since the market size until fiscal year 2012 was based on shipments, Toy Journal has recalculated the prices to list prices.

³ toys.or.jp/toukei_siryou_data.html.

Nintendo is another example of monetisation of IP. It started as a game business, but has since expanded to movies, merchandising, and theme parks. Sanrio similarly started from merchandise and has expanded to animation, theme parks, and education. Given the success of these first movers, companies in the sector have begun searching for ways to strengthen, broaden, and monetise their IPs, many of which are long-established. Sony has been accumulating its IP library, acquiring 10% shares from Kadokawa (a publisher in Japan). Toho is taking advantage of its movie distribution capability; it acquired a US theatre company and has already seen success in revitalising its Godzilla IP in the US, via 'Godzilla Minus One', a USD115 million box office hit and notable Oscar winner.

Sega Sammy is an additional example of a company branching out of its traditional roots, with Sonic the Hedgehog (created in 1991) and related characters now featuring in their own Hollywood movies, as well as entertainment parks. Each of the three film instalments grossed over USD300 million in the worldwide box office. I recently visited JOYPOLIS SPORTS HONG KONG, which is an extension of Tokyo JOYPOLIS, and features a Sonic the Hedgehog themed interactive playground – “The first Sonic stadium”. This exploration into indoor entertainment further highlights the alternative approaches towards IP utilisation that companies with enduring IP are taking.

Play industry expansion

Other growing outlets for IP are crane games and capsule toy machines. Round One, which operates bowling alleys and arcade games, has been turning deserted malls into amusement facilities. As a competitor of Dave and Buster's in the US, they have found success with their games and have expanded to over 50 locations in the states. Round One attributed this success to collaborations with Japanese IPs such as Pokémon (Nintendo), Hello Kitty (Sanrio), and Zelda (Nintendo), defining itself as a hub of Japanese culture.

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In a similar vein, Happinet (which distributes toys for Bandai Namco) and Takara Tomy claim that capsule toy sales have more than doubled in the past few years. Happinet holds 60% market share⁴, with Takara Tomy holding the rest in the capsule toys machine market. These machines used to be located near schools for children to buy after school, with pricing at around 100 yen. However, they have since diversified their locations to include malls, stations, and airports.

⁴ happinet.co.jp/happinet_english/financial/pdf/FY2018_factbook.pdf.



Sega Sammy characters are now featured in their own Hollywood movies.



Pop Mart is gaining popularity with its blind box collections.

Social media influencers often use them for content, and inbound tourists have started to treat them as souvenirs, driving the pricing up to 400-500 yen, according to Happinet. Furthermore, the ASP for inbound customers is now approximately 2,000 yen.

The common factor between crane games and capsule toys is their gambling nature. Customers gain more chance of rarer results through repeat purchase. Pop Mart (9992 HK) is gaining popularity, predominantly in China, with its blind box collections, across characters such as LABUBU. Investors' focus has been drawn by outsized results, but there are questions as to whether the popularity of their IPs can be extended to other parts of the world, especially the West. Furthermore, can the company create another popular self-developed IP after their established ones, if the hype on these products subsides? In Japan, Pop Mart products haven't reached the same levels of popularity, but even so I found some of their vending machine stores in some stations.

Japanese IP management and monetisation is fundamentally shifting, improving top lines and earnings profiles across the industry. We see Japanese corporates' efforts as an effective way of overcoming shrinking demographics and future derived economic problems. Successful companies of all types will continue to try to crystallise their success via their IP and expand through various channels, boosting stable global growth, whilst remaining close to their original character values.

This IP monetisation movement can be seen in other Asian countries; Chinese bubble tea maker Mixue is creating TV shows based on its Snow King IP. The IP market, and competition within it, will certainly continue to expand, but I personally believe that older generations' memories of legacy IPs will provide companies such as Sanrio with an advantage. As the CEO said to me *"When I was a child, I always used Keroppi's lunch box, which reminds me of my childhood memories. I want our characters to live in customers' daily lives and create happy memories."*

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