

UNLOCKING JAPAN'S AI POTENTIAL 2026

The next wave of AI is here

Japan's AI economy is entering its next phase. More than half (**54%**) of businesses have now adopted AI, up from **43%** last year, and the technology is already delivering tangible results: **81%** of adopters report productivity gains, **55%** increased revenue and **44%** say returns have surpassed their initial investment. Adoption is also deepening, with the share of AI adopters reaching the most transformative stage of AI use rising from **13%** to **19%** over the past year.

At the same time, the next wave of AI is arriving. Agentic AI, physical AI and more autonomous systems are expanding what the technology can do, creating new opportunities for businesses and potentially helping Japan address long-standing economic challenges such as labour shortages. Yet the capabilities needed to capture those opportunities are still developing. Only **18%** of businesses feel fully or very ready for next-generation AI, while skills shortages, workforce capacity, data and technical barriers continue to constrain deployment.

Japan starts from a position of considerable strength, including its industrial base, research capabilities, infrastructure and technology ecosystem. The task ahead is to convert those advantages – and the momentum already behind AI – into transformation across the wider economy. That means equipping businesses and workers for more advanced AI, strengthening the infrastructure and energy systems on which it will depend, maintaining a trusted environment for innovation, and ensuring organisations can access the technologies they need to compete.

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Key findings

- AI adoption continues to accelerate: **54%** of businesses have adopted AI, up from **43%** last year, while **19%** of adopters have reached the most transformative stage of AI use, up from **13%**.
- AI is already delivering measurable benefits: **81%** of adopters report productivity gains, **55%** increased revenue and **44%** say returns have surpassed their initial AI investment.
- Readiness has yet to catch up with the next generation of AI: just **18%** feel fully or very ready to adopt technologies such as agentic AI, compared with **39%** of startups.
- Agentic AI could help address Japan's labour challenge: **68%** of businesses familiar with the technology believe it will be critically or very important in responding to labour shortages over the next decade.
- Skills are becoming a central constraint: **42%** cite shortages of AI and digital skills as a barrier to adoption or expansion, while only **13%** describe their organisation as having a strong AI skillset.
- AI could broaden economic opportunity: **55%** believe AI is helping smaller businesses scale faster, while **58%** believe it could increase opportunities for people outside Japan's largest cities.
- Japan's existing strengths provide a platform for the next wave: businesses point to its skilled workforce, startup ecosystem, digital infrastructure and enterprise technology adoption as competitive advantages, while **42%** prioritise scaling and commercialising existing strengths for long-term AI competitiveness.
- Choice and trust matter as adoption scales: **74%** say access to global technology companies is important to their AI adoption and use, while businesses associate digital sovereignty with data protection, control, resilience and domestic capability.





Tracking data: AI adoption in 2026

AI adoption in Japan continues to build on last year's momentum. More than half (**54%**) of businesses now report having adopted AI, up from **43%** last year – representing year-on-year growth of **26%**. Startups remain at the forefront, with adoption rising from **84%** to **91%**, while adoption among large businesses has increased from **68%** to **76%**.

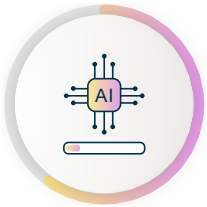
There are also signs that adoption is becoming more sophisticated. The share of adopters reaching the most transformative stage of AI integration has risen from **13%** last year to **19%** today, while the proportion focused primarily on basic uses and incremental efficiency gains has fallen from **72%** to **60%**. However, the picture remains uneven: nearly half of adopters (**46%**) are still exploring or experimenting with AI, compared with just **9%** that have fully integrated it.

The direction of travel is clear: Japan has made meaningful progress over the past year, but the next challenge is turning broader adoption into deeper, organisation-wide transformation.

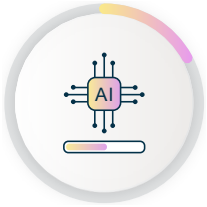


The ongoing digital divide: widespread experimentation, uneven transformation

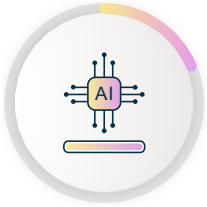
Last year's report identified a clear gap in Japan's AI adoption journey: while businesses were increasingly experimenting with AI, relatively few were translating that experimentation into deeper, transformative use. This year's findings show that gap beginning to narrow – but it remains significant:



60% of adopters remain focused primarily on more basic uses of AI and on incremental gains (e.g. driving efficiencies and streamlining processes), rather than innovation (e.g. developing new products or disrupting industries), down from **72%** last year. These businesses are using publicly available chatbots for routine tasks or purchasing ready-made AI solutions.



17% have advanced to the intermediate stage of AI adoption. These companies are integrating AI across multiple business functions, resulting in efficiency improvements and more innovative customer experiences.



19% of adopters have reached the most transformative stage of AI integration, using advanced AI systems, combining multiple models, creating custom AI systems, or deploying agentic or autonomous AI. This is up from **13%** last year. Startups lead the way with **34%** at this stage, contrasted by **17%** of SMEs and **24%** of large enterprises.

While these figures are shifting positively, for many organisations AI adoption remains concentrated in pilots, productivity tools, or isolated use cases rather than driving broader business transformation. This is further demonstrated by the fact that only **24%** of AI adopters have launched a new AI-driven product or service. At the same time, appetite for further adoption is strong: **44%** of all businesses expect to be consistently using multiple AI tools within twelve months, and **56%** believe AI will transform their industry in the next five years – recognising the value the technology holds.

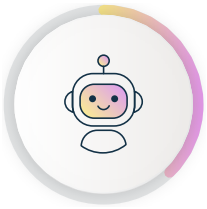
Although AI use is becoming widespread, fewer organisations have established the structures needed to scale it effectively. Just **15%** report having a formal and comprehensive AI strategy, and only **13%** describe their organisation as having a strong AI skillset. With next-generation AI emerging rapidly and compressing innovation timelines, it is more critical than ever that businesses be empowered to move beyond AI's most basic use cases.



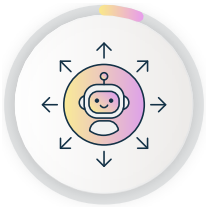
Businesses don't yet feel ready for the next wave of AI

The emergence of next-generation AI technologies, particularly agentic AI, physical AI, and advanced robotics, is likely to widen this adoption gap unless Japan accelerates support for businesses that are behind.

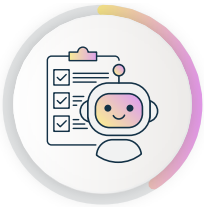
Awareness of agentic AI is increasing, but the gap between familiarity and deployment remains significant.



Fewer than four in ten businesses (**38%**) say they have heard of agentic AI



Of those familiar with the technology, only **6%** report having fully deployed agentic AI, while **21%** are experimenting or piloting it



A further **41%** say they have plans to use agentic AI or are considering it, while **19%** say they have no plans to adopt it

Those that have adopted agentic AI are realising benefits across their business: **43%** report faster decision-making and execution, **51%** report increased operational efficiency or productivity, and **38%** report improved scalability of operations.

Agentic AI is also seen as an answer to one of Japan's defining economic challenges: **68%** of businesses familiar with the technology say it will be critically or very important in helping Japanese businesses respond to labour shortages over the next decade, and **44%** rank helping address labour shortages among its biggest benefits for Japanese businesses over the next five years.

The majority of businesses do not feel ready to adopt these emerging technologies, but startups are a bright spot. Only **18%** of businesses say they feel fully or very ready to adopt next-generation AI technologies such as agentic AI, contrasted with **39%** of startups. **34%** of all businesses say they are only somewhat ready, and **42%** say they are slightly ready or not ready at all.

Businesses point to persistent constraints that prevent them from moving from readiness to real deployment of next-generation AI:

41% cite a shortage of AI and digital skills as a barrier to adopting next-generation technologies

29% cite technical or data-related barriers

27% cite insufficient internal workforce capacity

22% cite limited access to next-generation AI tools or infrastructure

The findings expose a mismatch between where next-generation AI could matter most and where businesses are today. Agentic AI is already delivering productivity, speed and scalability gains among early adopters, and businesses see particular potential for it to ease Japan's labour shortages. Yet readiness to deploy these technologies remains limited across much of the economy. If that gap persists, Japan risks leaving significant economic value unrealised – not because businesses lack a reason to adopt next-generation AI, but because many lack the capabilities to do so.

Physical AI is emerging as the next frontier for Japanese businesses

While awareness of physical AI remains relatively early, businesses increasingly see it as one of the most promising applications of next-generation AI. Rather than viewing physical AI as a niche technology, organisations see opportunities to combine AI with robotics, sensors and autonomous systems to improve productivity, efficiency and safety across a range of real-world environments.

Today, only **4%** of organisations aware of physical AI have fully deployed physical AI technologies, while **14%** are currently experimenting or piloting them. A further **38%** plan to adopt physical AI or are considering it, suggesting considerable latent demand as the technology matures.

Businesses are looking beyond AI as a purely digital technology. For many organisations, particularly those operating in industrial and operational environments, the next phase of AI adoption will increasingly involve bringing AI into the physical world, augmenting frontline workers, improving operational resilience, and enabling more autonomous systems across manufacturing, logistics and critical infrastructure. Building readiness now will be essential if Japanese businesses are to turn this emerging potential into widespread deployment as physical AI matures.



Umios: building the operational foundation to put AI forecasting to work

Umios Corporation (formerly Maruha Nichiro, renamed March 2026) is a solutions company that, in its 146th year, works to keep both people and the planet healthy through food. Building on its strength in marine products, it has developed a global value chain and operates a wide range of businesses, including processed foods and agriculture and livestock, offering products and services that meet diverse food needs across both retail and foodservice. Each month, sales staff across its branches entered next-month sales plans by hand — business by business, product by product, warehouse by warehouse — and the management data in its sales-planning system had grown to roughly 4.7 million cells, straining the limits of manual management.

Working with AWS, Umios automated demand forecasting using Chronos-2, a time-series foundation model from Amazon Science, on Amazon SageMaker JumpStart. The project was run as a four-way collaboration between Umios's foodservice-distribution division and DX promotion department, Umios Tech Inc., and AWS. Its core insight was as important as the technology itself: that organising current operations and defining how they should work must come before automating with AI. Rather than wait for perfect data, the team built an easy-to-use input app to standardise data, then let Chronos-2 replace experience-and-intuition forecasting — while keeping humans accountable. Chronos-2 returns probabilistic forecasts (P10/P50/P90) as a "logical first draft," and branch planners review and finalise them over a 10-day window.

The project points to the kind of shift this report describes — moving beyond basic adoption toward operational transformation. Umios has started running the new forecasting approach and is expanding the range of products registered for it, with daily forecast updates and BI visualisation; the benefits are expected to extend from sales planning into production planning and inventory optimisation across the supply chain.

Umios also points to what comes next: to make forecasts explainable, it plans to build an agent on Amazon Bedrock AgentCore that runs Chronos-2 forecasts and discusses the results in natural language — a step from automation toward agentic AI.

Executive comment — Yoshitaka Koseki, Director, Managing Executive Officer, Umios Inc.: "Improving the accuracy of our sales planning is one of our key management themes, as it significantly affects our profitability and capital efficiency through factory operations and inventory optimisation. Using a time-series forecasting model on AWS, we have begun an approach in which AI produces a first draft that our sales staff then finalise. Going forward, we intend to improve the accuracy of this approach and extend it to our other businesses."

Many businesses still lack the digital skills they need; while AI redefines the future of work

Skills are becoming the defining constraint on Japan's AI ambitions

As AI adoption accelerates across Japan, access to the technology is becoming less of an obstacle. A more pressing constraint is emerging instead: whether organisations have the people and capabilities to put AI to work effectively and at scale.

The skills gap is already affecting businesses' ability to adopt and expand their use of AI. **42%** cite a shortage of AI and digital skills as a barrier, while businesses estimate that it takes an average of five months to find an employee with the right digital skills for a position.

That pressure is likely to grow as AI becomes more deeply embedded in the economy. Businesses recognise the importance of building their talent base, but current capabilities remain well behind their expectations for the future:

- **82%** say access to skilled AI talent and training programmes is important to growth in their business and industry
- **52%** expect AI skills to become very important in their industry over the next five years
- Yet only **13%** describe their organisation as having a strong AI skillset, while **34%** say they are only beginning to develop these capabilities

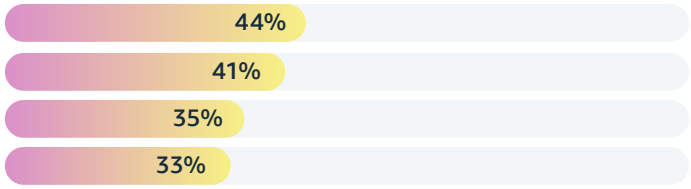
For many organisations, skills could therefore determine how far they progress from adopting AI tools to capturing their full value. Businesses see a role for wider investment too: **54%** rank skills development, reskilling and workforce training among Japan's highest priorities for public investment in technology and innovation.

AI is becoming more accessible across the economy

The skills challenge is becoming more pronounced precisely because AI technology itself is becoming easier to access. Cloud-based services, more intuitive tools and lower-cost solutions are putting capabilities that once required specialist expertise within reach of a much broader range of organisations.

Nearly two-thirds (**62%**) say AI technologies are accessible to businesses in their industry. They attribute that growing accessibility to several factors:

1. **44%** point to the availability of affordable AI solutions
2. **41%** to user-friendly AI platforms
3. **35%** to advances in cloud computing and AI infrastructure
4. **33%** to greater availability of training and support



As the technical barriers fall, expectations of workers are changing with them. Already, **46%** of organisations expect employees to be familiar with basic AI tools and **39%** expect them to be comfortable using them. AI capability is beginning to shift from a specialist requirement towards a more general workplace skill.

Greater accessibility could also broaden who benefits from advanced technology. More than half (**55%**) believe AI is enabling smaller Japanese businesses to scale faster, and **49%** say it is helping them compete more effectively internationally. Capabilities once concentrated among large organisations and specialist technology teams are becoming available to a much wider business base.

The question is therefore shifting from who can access AI to who has the skills and confidence to use it well.



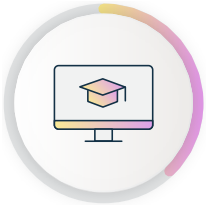
AI is reshaping jobs, skills, and opportunity – in Tokyo and beyond

These changes will reach beyond the technology teams deploying AI. Businesses expect AI to alter the composition of work itself, reshaping existing roles, creating new ones and changing the capabilities employers look for.

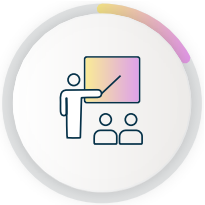
The prevailing expectation is evolution rather than wholesale displacement. Over the next three to five years, **36%** expect AI mostly to create new roles or significantly reshape existing ones. A further **33%** anticipate both job creation and displacement, with a broadly neutral effect overall.

The roles that emerge are also likely to look different. Businesses anticipate greater demand for people who combine industry expertise with AI capabilities, employees able to supervise and validate AI systems, and workers whose roles place greater emphasis on strategic, analytical and decision-making skills.

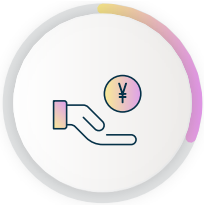
Hiring expectations are already responding:



Businesses estimate that **38%** of future hires will require AI literacy



A further **17%** will require specialist AI expertise



Candidates with strong AI skills could command an average salary premium of **31%**

The effects could extend beyond individual jobs to where economic opportunity is created. Although **62%** say AI adoption is currently more advanced among businesses in Tokyo than elsewhere in Japan, businesses also see the technology as a way of widening participation:

- **61%** agree AI is making advanced digital technologies accessible to a wider range of businesses and workers
- **58%** believe it could increase economic opportunities for people outside Japan's largest cities
- **52%** expect AI to increase opportunities in underserved regions over the next five years
- **50%** believe AI-powered tools could make it easier for self-employed workers and small businesses to participate in the formal economy

AI could therefore change not only what people do at work, but who can participate in more digitally enabled parts of Japan's economy. Ensuring workers across different businesses, occupations and regions can build the capabilities these roles demand will shape how widely those opportunities are shared.





Businesses are seeing returns from AI, while approaches to measuring value continue to mature

Japanese businesses are already reporting tangible returns from AI. Among adopters, **81%** have experienced productivity gains, **55%** report increased revenue attributable to AI, and **44%** say returns have already surpassed their initial AI investment.

As investment expands, organisations are increasingly focused on how to measure these benefits consistently and build a clearer picture of AI's contribution to business performance. For many, measurement practices are still developing: **40%** say they are not confident in their ability to measure the ROI of AI initiatives or do not currently attempt to do so, while **18%** are very confident in their ability to assess returns accurately.

Businesses are also taking a longer-term view of when those returns should materialise. Just **12%** expect an AI initiative to deliver measurable value within six months, compared with **43%** who expect to see value within a year and **28%** who anticipate a one-to-two-year timeframe.

The strong benefits already being reported provide a foundation for continued investment. Strengthening how organisations track and quantify those gains can help businesses identify their highest-value applications, make more informed investment decisions and scale successful AI initiatives with greater confidence.



Businesses remain confident in Japan's global position

Japan enters the next wave of AI with significant advantages

Years of investment in digital infrastructure, research and innovation, alongside deep industrial expertise and a strong technology ecosystem, give the country many of the foundations needed to compete as AI becomes more advanced and more deeply embedded across the economy. The task ahead is to build on those foundations and ensure they translate into adoption, innovation and growth at scale.

Those who see Japan as competitive most commonly point to:

- High levels of education and a skilled workforce — 44%
- Well-established startup ecosystem — 39%
- Advanced digital infrastructure in key regions — 36%
- Strong enterprise adoption of digital and cloud technologies — 33%
- Supportive government programmes and grants for innovation — 29%

However, businesses also identify areas that could weaken Japan's position. Among those who see the country as less competitive, the most frequently cited challenges include: shortage of digital and tech talent (**41%**), high operational and labour costs (**35%**), and a complex regulatory landscape (**31%**).

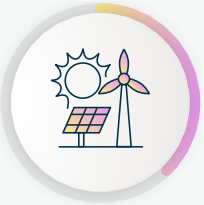
The findings suggest that Japan's competitive position is strong, but not automatic. Leadership in the next wave of AI will depend on whether the country can reduce the frictions that prevent organisations from converting existing strengths into commercial deployment and growth.

Japan should build on its strengths while addressing emerging bottlenecks

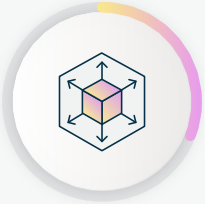
Businesses are clear that sustaining Japan's competitiveness will require both making more of the capabilities it already has and strengthening the foundations needed for future AI growth. When asked what Japan should focus on for its long-term competitiveness with AI:



42% identify scaling and commercialising existing strengths, including world-class research, talent and datasets



38% prioritise increasing reliable access to power and energy



31% point to expanding usage of existing infrastructure



27% to building new infrastructure from the ground up

Businesses also call for increased international collaboration and partnerships (**33%**), additional funding for startups and SMEs (**30%**), and removing regulatory complexity (**29%**).

This points to a strategy based neither solely on building new capabilities from scratch nor relying only on Japan's existing advantages. The opportunity lies in combining both: commercialising Japan's industrial and research strengths while ensuring businesses have the energy, infrastructure, talent, investment and technology access required to compete.

Regulation must provide clarity without slowing innovation

As Japan implements its AI governance framework, businesses are beginning to build familiarity with how it will operate in practice. Around a third (**34%**) say they are very or somewhat familiar with Japan's current approach to promoting and governing AI, including the AI Promotion Act and AI Basic Plan, while a further **33%** have heard of the framework but know little about the detail.

Understanding is also beginning to develop across businesses:

- **38%** agree they understand how Japan's current AI policy and governance framework applies to their organisation
- **36%** understand their organisation's roles and responsibilities under it
- **33%** agree the current approach provides sufficient clarity for their organisation to invest in and adopt AI

As implementation progresses, clear and practical guidance can help build on this foundation. When considering any future mandatory AI requirements, businesses place particular importance on avoiding complex or unclear obligations (**34%**), managing additional compliance costs (**33%**), providing sufficient guidance on how to comply (**27%**), and ensuring requirements can keep pace as AI develops (**24%**).

Businesses also recognise the important role regulation can play in creating the conditions for trusted AI adoption. **42%** say protecting user privacy and data security should be among the most important aims of AI regulation, while **39%** prioritise ensuring AI is used ethically and responsibly, and **33%** believe regulation should encourage innovation while maintaining appropriate safeguards.

Compliance costs have remained broadly stable, with businesses estimating that **21%** of their technology spend currently goes towards regulatory compliance, compared with **22%** last year. While **49%** expect this share to increase over the next three years, maintaining a clear and proportionate approach can help businesses manage these requirements as adoption expands.

Continued clarity as the framework takes shape can reinforce trust, give businesses greater certainty to invest, and support responsible innovation as Japan's AI economy grows.

Sumitomo Mitsui Trust Bank: turning Japan's strengths into a cloud-first "strategic bet"

Japan's competitive strengths — a skilled workforce, deep enterprise expertise, and growing cloud adoption — count for little unless they translate into AI and cloud deployment at scale. Few organisations illustrate that shift as clearly as Sumitomo Mitsui Trust Bank (SuMi TRUST), one of Japan's largest trust banks.

SuMi TRUST runs nearly all of its roughly 200 information systems on AWS — the result of a deliberate, multi-year "strategic bet" that cloud was the best fit for its low-volume, high-variety business. Its journey moved through three phases: an initial lift-and-shift from 2017; a shift to cloud-native standards; and, most recently, an "All-Out Cloud Factory" — a co-creation organisation with AWS focused on standardisation, platform engineering, and data and AI utilisation. As a flagship project, the bank is migrating its core Customer Ledger from Oracle Exadata to Amazon Aurora PostgreSQL, using Amazon Bedrock to accelerate the migration.

Critically for a regulated financial institution, this is a story about building capability and trust together. SuMi TRUST is investing in people as much as technology — its "Tech Journey" learning programme spans around 3,000 participants — and operating in a sector where security, governance and resilience are prerequisites, not afterthoughts.

SuMi TRUST maps directly onto this report's findings on Japan's global position and on the role of trust and choice:

- Commercialising Japan's existing strengths — turning deep enterprise expertise into scaled, cloud-native deployment
- Investing in talent (~3,000 people) to close the capability gap the report identifies
- Demonstrating that in a highly regulated industry, trusted cloud and AI adoption can proceed at scale with the right governance

As Japan looks to convert its advantages into leadership in the next wave of AI, SuMi TRUST shows what it looks like when an established institution makes AI and cloud a foundation for long-term competitiveness.





Businesses value choice and flexibility in the AI and Cloud landscape

Japanese businesses value access to a broad range of technology providers as they adopt AI, innovate and pursue opportunities internationally.

79% of businesses say access to global technology companies is important for Japanese businesses that aim to scale quickly and offer products or services internationally

76% say it is important for their business's innovation

74% for their business's AI adoption and use

When businesses are selecting their technologies, their priorities are speed, scalability, resilience, security, and the ability to make the right technology choices based on customer needs. As a result, rather than relying exclusively on domestic providers, many organisations operate across mixed ecosystems, selecting technology partners based on capability and performance.

- **63%** of businesses say they have adequate choice to select and switch between different providers of AI technologies
- **58%** say having this ability to choose and switch is extremely or very important to supporting their adoption of AI
- **47%** report that they currently use a mix of providers from different regions, rather than working primarily with providers from their home country

For businesses that primarily use providers based outside Japan, the top reasons are: perceived technological leadership or advanced capabilities (**46%**); a wider range of features or product offerings (**38%**); and better scalability, performance or integration options (**34%**).

Businesses define sovereignty through trust, security, and choice

The findings also point to a broad understanding of digital sovereignty among Japanese businesses, encompassing how data is protected and governed, the resilience of technology systems, Japan's domestic capabilities, and the choices available to organisations.

When asked what digital sovereignty means to them, businesses most commonly select:

- Strong data protection, privacy, and cybersecurity standards (**17%**)
- Control over how and where Japanese data is stored and processed (**14%**)
- Ensuring Japan has the capabilities, skills, and infrastructure needed to innovate independently in critical technologies (**13%**)
- Clear rules on who can access data and under what conditions (**11%**)
- Resilience against geopolitical, economic, or supply-chain disruptions (**10%**)

This combination of trust, flexibility, and access is viewed as critical to supporting long-term AI competitiveness.

Trust in technology and providers is a critical enabler of AI adoption

As AI becomes increasingly embedded in business operations, trust is emerging as a critical enabler of adoption. While organisations continue to value access to the most capable AI technologies, they also expect AI systems to operate in ways that are secure, transparent, and aligned with Japan's legal and regulatory environment.

When asked what would give their organisation the greatest confidence to adopt AI solutions, businesses most commonly point to clear compliance with Japanese laws and standards (**22%**), strong cybersecurity protections (**18%**), and proven technical performance (**13%**). Others prioritise the ability to choose where data is processed (**9%**), transparent governance of AI systems (**8%**), data stored within Japan (**8%**), AI inference taking place within Japan (**5%**), and AI models trained within Japan (**4%**).

Businesses also favour a balanced approach to how AI systems are developed. **64%** believe AI models should strike a balance between being trained on a broad range of data to maximise capability while maintaining stronger safeguards, compared with **13%** who prioritise the broadest possible access to data and **14%** who believe models should only be trained on carefully controlled and approved datasets. This suggests organisations are looking to maximise AI performance while ensuring appropriate safeguards and governance remain in place.

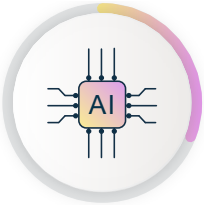
Trust is also shaped by the long-term commitment AI providers demonstrate to the Japanese market. Businesses say their trust in AI services provided by global technology companies would most increase through:



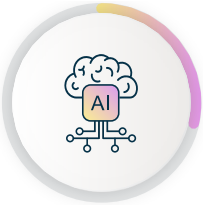
Clear compliance with Japanese laws, regulations and standards (**41%**)



Strong cybersecurity and data protection commitments (**39%**)



Data centres and infrastructure located in Japan (**31%**)



Investment in AI and cloud infrastructure in Japan (**29%**)

They also value the ability to choose where data is stored and processed (**26%**), support for Japanese language and business needs (**24%**), partnerships with Japanese businesses, universities or research institutions (**21%**), transparent information about how AI systems are developed and operated (**19%**), and a long-term commitment to Japan's digital economy (**18%**).

Rather than viewing trust as a barrier to innovation, businesses increasingly see it as an enabler of adoption. As organisations deploy increasingly advanced AI systems, confidence that technologies are secure, well-governed, and supported by long-term investment in Japan will be an important factor in determining how quickly the next generation of AI is adopted across the economy.



Recommendations: Unlocking Japan's AI future

Japan enters the next phase of AI adoption with strong momentum and significant advantages. Businesses are adopting AI at a growing pace, seeing tangible productivity and revenue gains, and looking ahead to new opportunities from technologies such as agentic and physical AI. Sustaining that progress will require attention to the foundations that allow adoption to translate into transformation: workforce capability, infrastructure and energy, organisational readiness and trusted governance. The following recommendations set out where government and industry can focus to help Japan build on its strengths and capture the full potential of the next wave of AI.

1. Position government as a catalyst for AI adoption

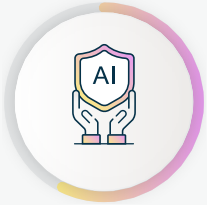
Japan's AI ambitions will depend not only on what businesses do, but on the environment government creates for adoption. The research suggests that businesses see government as playing a broader role than simply regulating AI:

- **61%** say government policy and direction are an important factor in their organisation's decisions about investing in AI
- **63%** say they would be more likely to invest in AI if government-backed programmes, funding, or incentives were available

Government also has an opportunity to build confidence by leading through example.



55% of businesses say greater public-sector adoption of AI would make them more likely to increase their own AI adoption



57% say seeing AI successfully adopted by public sector organisations would increase their organisation's confidence to adopt AI



44% say they would place greater trust in AI solutions supported or endorsed by the Japanese government

By embedding AI across public services and government operations, the public sector can demonstrate responsible deployment, establish trusted use cases, and encourage wider adoption across the economy.

Continued investment in research, digital infrastructure, startup ecosystems, regional innovation and public-private partnerships can help accelerate AI adoption while reinforcing trust and ensuring Japan remains competitive in the next generation of AI.

2. Help businesses move from AI adoption to AI transformation

Japan has built strong momentum behind AI adoption, but many organisations remain focused on pilots, experimentation and basic productivity use cases. The next challenge is not simply encouraging more businesses to adopt AI, but helping existing adopters scale AI across their operations and realise measurable business value. Policymakers and industry should support organisations to strengthen AI readiness, build robust cloud and data foundations and develop clear AI strategies. Improving organisations' ability to evaluate AI performance and demonstrate business value will be critical to giving leaders the confidence to scale successful AI initiatives beyond isolated pilots. Helping businesses move beyond fragmented experimentation will be essential if Japan is to capture the full productivity and innovation benefits of the next wave of AI.

3. Build the infrastructure and data foundations for the next wave of AI

Advanced AI technologies will place increasing demands on Japan's infrastructure ecosystem. Maintaining the country's AI competitiveness will require continued investment not only in AI compute and digital infrastructure, but also in reliable power, electricity networks, renewable energy, high-quality data infrastructure, and the wider conditions that support long-term investment. As AI innovation accelerates globally, ensuring businesses have timely access to the infrastructure, data and technology needed to scale will become increasingly urgent. Businesses also highlight the importance of public-private collaboration, regulatory certainty and international technology partnerships in enabling infrastructure to scale. Ensuring these foundations keep pace with AI demand will be critical to supporting advanced AI deployment across the economy.

4. Accelerate workforce readiness and AI capability across the economy

As AI capabilities become more sophisticated, the challenge is no longer simply training AI specialists, it is ensuring organisations across the economy have the people, skills and organisational capability to deploy AI at scale. Businesses increasingly need workforces that can confidently adopt, manage and work alongside AI across every part of the business. Expanding AI and digital skills, supporting lifelong learning, and helping organisations strengthen leadership, governance and AI readiness will be essential to accelerating adoption of advanced AI technologies. With innovation cycles shortening and next-generation AI rapidly becoming mainstream, building workforce capability has become an urgent competitiveness challenge. Closing the readiness gap between leading organisations and the wider economy will help ensure the benefits of AI are shared more broadly across Japan.





Building the foundations for Japan's AI future

Japan is entering a new phase of its AI journey. Adoption is growing, businesses are already seeing tangible benefits, and emerging technologies such as agentic and physical AI offer new possibilities for productivity, innovation and growth. The next phase will depend on turning that momentum into transformation across the wider economy. Building workforce capability, strengthening readiness for next-generation AI, ensuring access to reliable infrastructure and energy, providing a clear and trusted policy environment, and preserving choice across the technology ecosystem will all help businesses move from experimentation towards deployment at scale. By building on its existing strengths while investing in these foundations, Japan can broaden the benefits of AI across businesses, workers and regions and reinforce its competitiveness in the next generation of technological innovation.

Appendix

Methodology

The fieldwork for this study was undertaken by Strand Partners' research team for Amazon Web Services. This research has followed the guidance set forth by the UK Market Research Society and ESOMAR. For the purposes of this study, business leaders are defined as founders, CEOs, or members of the C-suite in organisations.

'Citizens' are nationally representative members of the public based on the latest available census.

For inquiries regarding our methodology, please direct your questions to: polling@strandpartners.com.

In Japan:

- We conducted a survey targeting 1,000 nationally representative members of the public, ensuring representation based on age, gender, and region.
- Additionally, we surveyed 1,000 business leaders, representative by their business size, sector, and region.

Sampling:

Our sampling process used a mix of online panels that are recognised for their validity and reliability. These panels are carefully curated to ensure diverse representation across various demographics. For the business leaders, the panels are selected with a consideration for organisational size, sector, and position within the company. Our objective with the sampling strategy is to achieve an optimal mix that mirrors the actual distribution of our target populations in the respective markets.

Weighting Techniques:

Post-data collection, we applied iterative proportional weight to correct any discrepancies or over-representations in the sample.

Survey:

This study was designed with the objective of delving deep into the digital landscape:

- **Usage Patterns:** This survey gauges the evolving patterns of digital technology usage. We are particularly interested in examining the adoption and implementation levels of technologies, focusing on cloud computing and artificial intelligence.
- **Perceptions and Attitudes:** The survey seeks to unearth the prevailing perceptions and attitudes towards digital technologies, understanding the perceived benefits, challenges, and potential ramifications of both present and emerging tech solutions.
- **Barriers and Opportunities:** The survey scrutinises the predicted challenges and potential avenues that both businesses and individuals anticipate on their digital trajectory. This involves pinpointing challenges, from skill deficits to regulatory complications, and recognising opportunities for growth, innovation, and market development.
- **'Size of the Prize':** The survey shed light on the economic repercussions and growth prospects linked with digital transformation. By elucidating the 'size of the prize', we aspire to stress the importance of digital transformation and foster further investments and technology adoption.