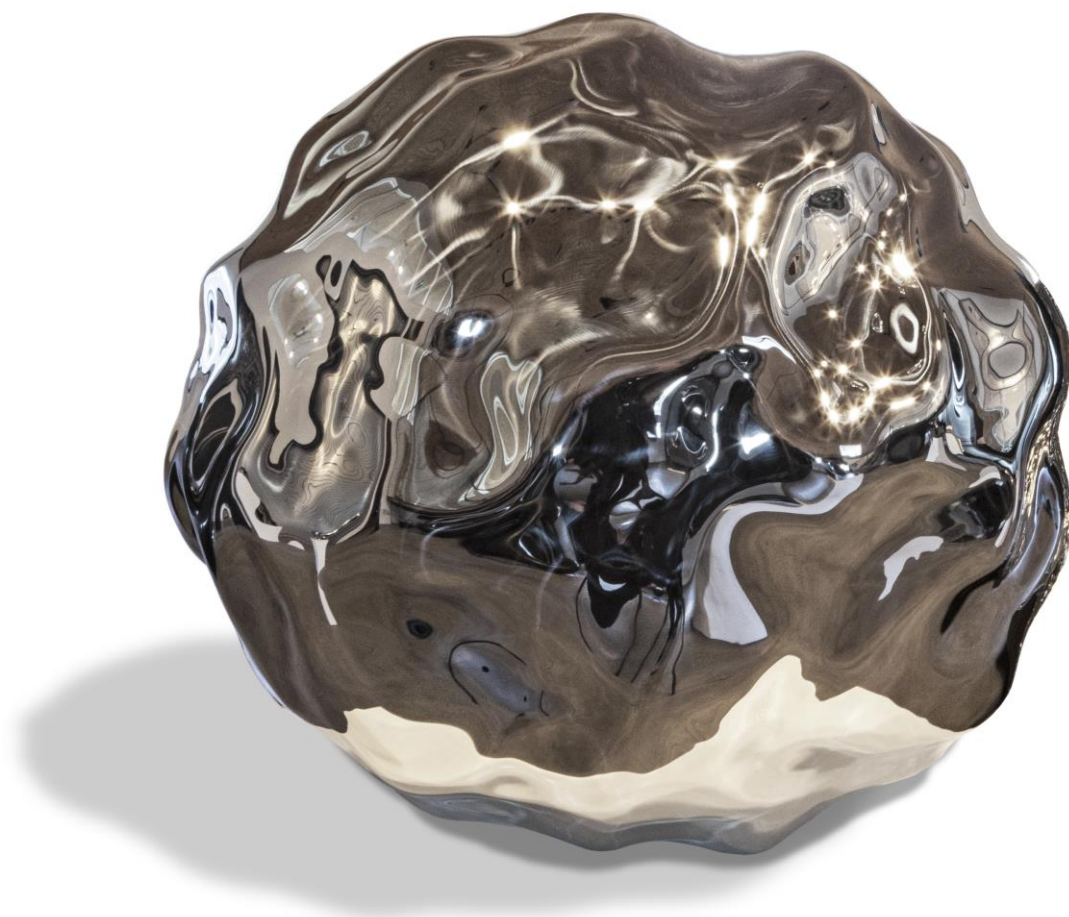


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Deloitte Art & Finance Report 2024

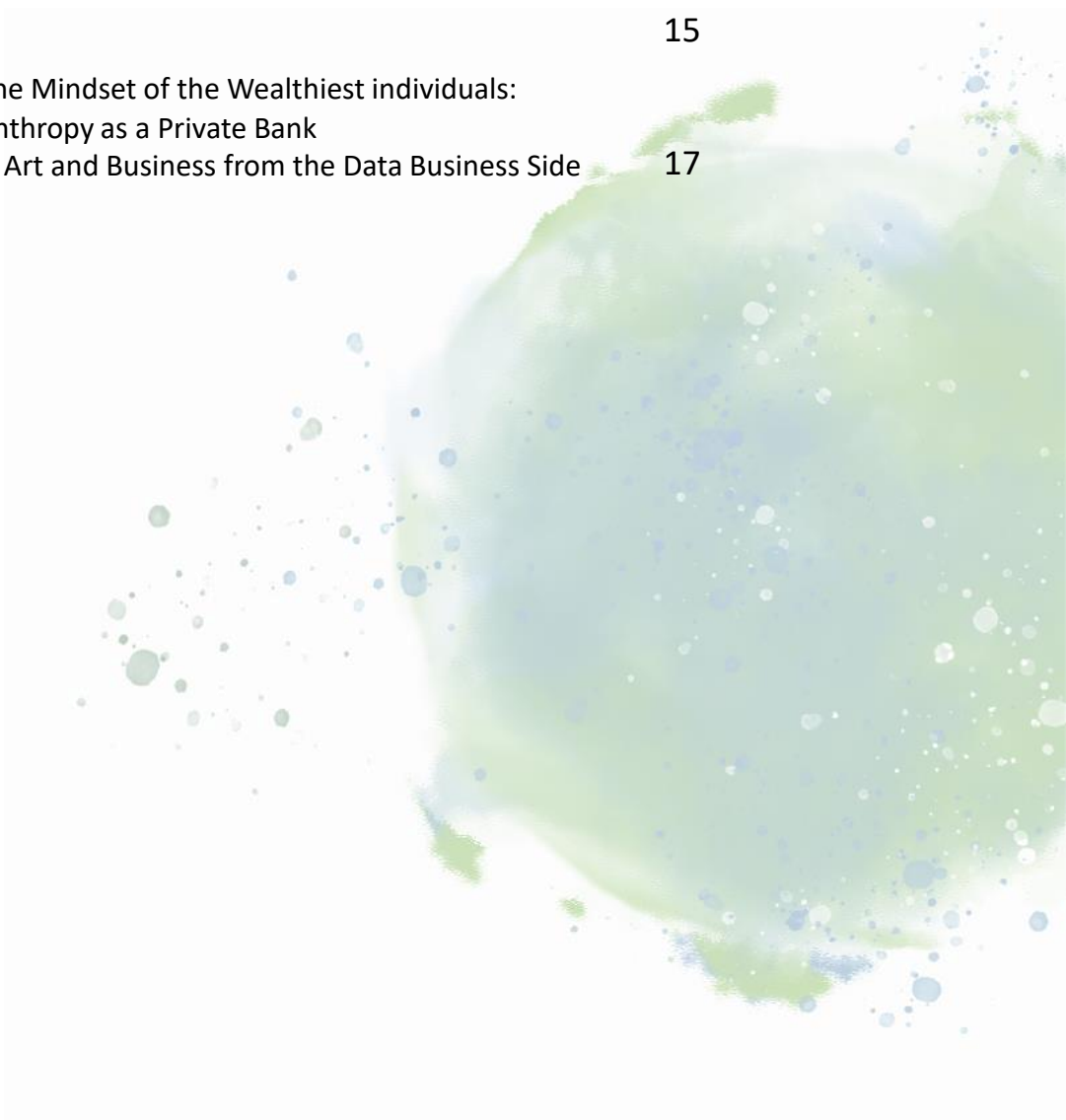
Japan Edition

April 2024

Mantle
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Introduction

In an era of uncertainty, the fusion of art and finance imagines new value

Published biennially since 2008, the Deloitte Art & Finance Report has consistently explored the potential synergy between the arts and finance industry, aiming to drive growth and benefit the entire art, culture, and finance ecosystem. Like many other economies and societies, the global art industry is facing volatile economic, environmental, and geopolitical uncertainty. However, even in the face of such challenges, the movement to explore the innovative possibilities emerging from the fusion of art and finance is gaining momentum.

The Deloitte Art & Finance Report 2023 Japan edition focuses on the global [Deloitte Private & ArtTactic Art & Finance Report](#), published late last year. In addition to a summary of the global report, this edition includes content unique to Japan, such as an overview of the contemporary art market in Japan and interviews with companies that actively draw inspiration from the art field for their own business development.

Global Summary: The Evolution of Art and Finance

The Deloitte Art & Finance Report 2023 Global revealed that ultra-high-net-worth individuals (UHNWIs) held \$2.174 trillion in art and collectibles in 2022. This demonstrates the increasing significance of art and finance, with further growth projected in the future.

To provide an overview of the Deloitte Art & Finance Report 2023 Global Edition, this chapter highlights key findings and presents them through easy-to-understand graphics. Considering the evolving ecosystem, we focus on the following comprehensive range of topics:

- The Role of Art and Finance under Increasing Uncertainty
- The Importance of Purpose and Asset Diversification
- Wealth Management Strategies Leveraging Arts and Heritage Assets
- Increasing Innovation and Transparency in the Art Market
- Sustainable Development and Social Contribution

After this general summary, we will deep dive into qualitative trends and analysis through the global report, focusing on the most relevant topics.

Japan Contemporary Art Market: Growth and Potential

As a unique feature of the Japan edition, this report analyzes the current state, challenges, and future prospects of the contemporary art market in Japan. In recent years, the Japanese contemporary art market has experienced steady growth and garnered increasing international attention. However, compared to Western countries, the market size remains relatively small, and issues like transparency and liquidity persist. This report examines ongoing efforts to address these challenges and explores potential trajectories for the future growth of the contemporary art market in Japan.

The emergence of young collectors, young artists, and the opening of art complexes across Japan represent significant new developments in the Japanese art scene. We encourage readers to use this report as a starting point for discussions on how these new trends are interacting with traditional art business practices and how a distinctive Japanese art market is taking shape, all while considering global trends in the art industry.

Company Interviews: Learning from the Art Field

In the realm of art, creativity, flexibility, and innovation are inherent qualities. In the business world, there has long been a movement to actively embrace and incorporate these aspects of the art domain, with various industries experimenting and evolving their approaches. While there is no single formula for successfully integrating art into business, these trial-and-errors have settled down for the moment. We have reached a point where art can drive economic value beyond mere brainstorming, and we assume companies' attempts to leverage art have become more sophisticated.

This chapter features interviews with companies that have drawn inspiration from the art field and applied it to their own business development. The articles aim to showcase how each company has incorporated artistic inspiration into their practices, offering readers new perspectives and ideas for their own endeavors.

As a compass for navigating times of uncertainty

The Deloitte Art & Finance Report, in both its Japan and global editions, is intended to serve as a compass for exploring the potential of the art and finance intersection and provide guidance for navigating uncertain times. We hope this report proves to be a valuable resource for all stakeholders in the art and finance sectors.

Nagai, Kiyohiko

Managing Director
Deloitte Tohmatsu Risk Advisory LLC



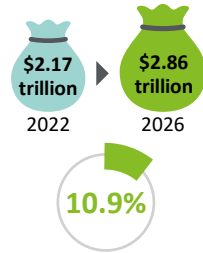


01
Deloitte Private
& ArtTactic
Art & Finance
Report
Summary

01. Deloitte Private & ArtTactic Art & Finance Report Summary

Section 01 : Wealth and the Global Art Market

The value of collectibles, including art, held by ultra-wealthy individuals is projected to grow from **\$2.17 trillion** in 2022 to **\$2.86 trillion** by 2026.



On average, an estimated **10.9%** of wealth manager and family office client assets are related to art and collectibles.

The art market experienced a slowdown in the first half of 2023 due to a decrease in high-end supply, but there are signs of recovery in the second half of the year.

The art market has seen a 14-year annual growth rate of 0.6%, which is below the inflation rate.

The market is top-heavy, with 1% of artists accounting for over **over three-quarters** of all auction sales in the past eight and a half years.



Prices for ultra-high-priced works are soaring, with **50%** of winning bids over \$10 million (for Impressionist, Modern, and Contemporary art) compared to **32%** in 2020.



Figure 2: High Wealth of the Wealthy (US\$) vs. Global Art Market (US\$) vs. Affluent market (US\$) (Index base year: 2008)



Source: Capgemini's World Report, Statista, The Art Basel and UBS Global Art Market Report 2023

Section 02 : Art and Asset Management

Over the past 12 years, there has been widespread acceptance of inclusive and purpose-driven wealth management.

- The proportion of wealth managers who believe collectibles, including art, should be included in their assets has risen to **89%** from **65%** in 2011.
- **90%** of wealth managers now consider it important to include collectibles, including art, when developing comprehensive advisory relationships with clients.
- Approximately 63% of wealth managers already incorporate art and collectibles into their services. The number of firms planning to offer art-specific asset management services within the next 12 months has increased considerably from **26%** in 2011 to **74%**.

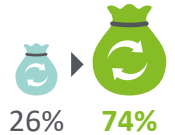
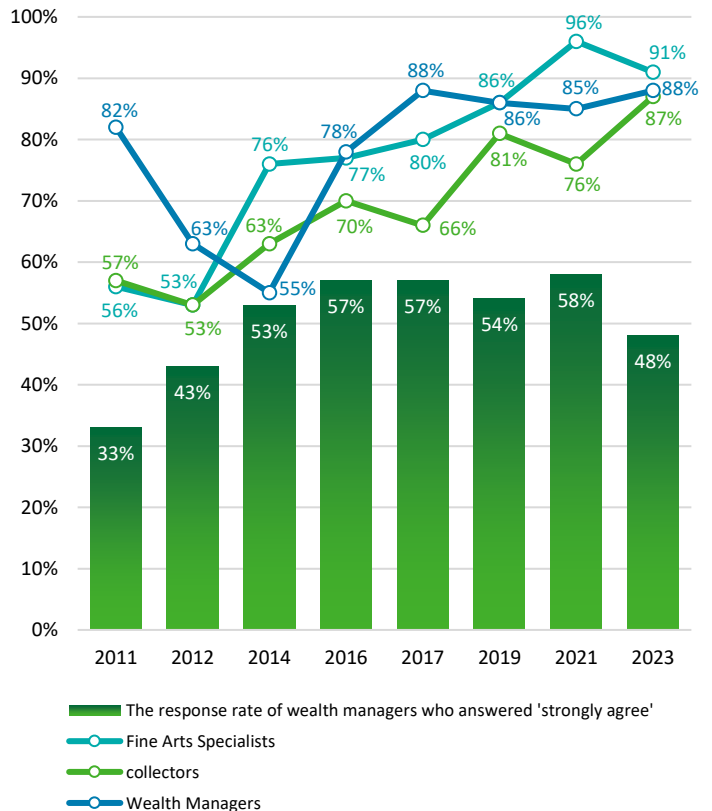


Figure 42: Can artwork collectibles be asset management?? (% saying 'yes')



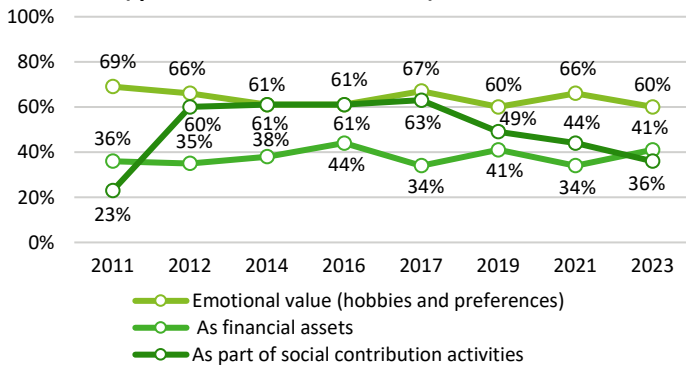
Source: Deloitte Private & ArtTactic Art & Finance Report 2023

Changes in motivation for owning works of art

- Emotional values (hobbies and preferences) continue to be the primary drivers for art investment.
- For the first time, financial value has surpassed social value as a motivating factor.
- There is a growing recognition of art as an asset class among asset managers and family offices.
- Young collectors are increasingly interested in the financial benefits and social impact of art investment.
- This trend is reflected in the data, with **83%** of respondents citing investment returns as an important motivation, up from **50%** in 2021. Additionally, there has been an increase in the motivation for social impact investing.



Figure 66: Motivation for buying and selling artworks (questionnaire to collectors)



Source: Deloitte Private & ArtTactic Art & Finance Report 2023

Demand for outsourcing and art-related business services

- Wealth managers are focusing on their core activities by outsourcing specialized art asset management services to art professionals.
- Collectors are increasingly seeking services such as valuation and market research.
- The next generation of collectors prioritizes art advisory services to guide their art-related decisions.

Section 03 : Wealth Protection through Art, Estate Planning, Philanthropy

Large-scale asset transfers

- The transfer of wealth between generations is already influencing the art market, with an average of **10.9%** of assets, conservatively estimated, allocated to art and collectibles.
- In 2022, sales from single-owner collections in the auction market surged by **64%** compared to 2021, suggesting a trend of asset liquidation as wealth transitions to younger generations.

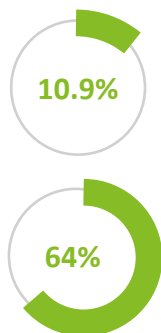
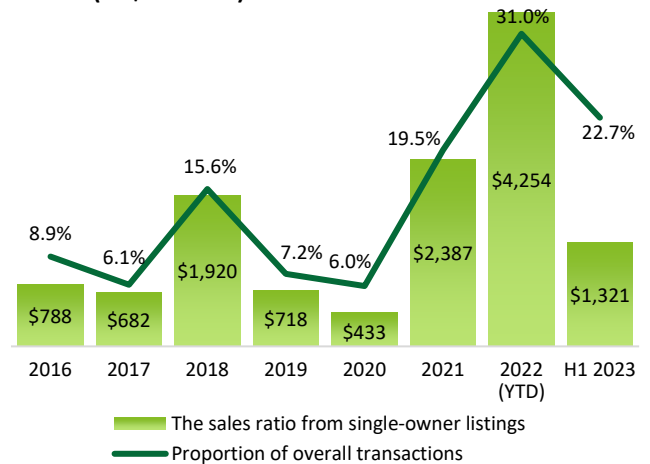


Figure 74: Auction Sales by Single-Owner Collection (US\$ millions) 2016 – H1 2023



Source: Christie's, Sotheby's and Philipps

Art property protection, estate planning, and philanthropy

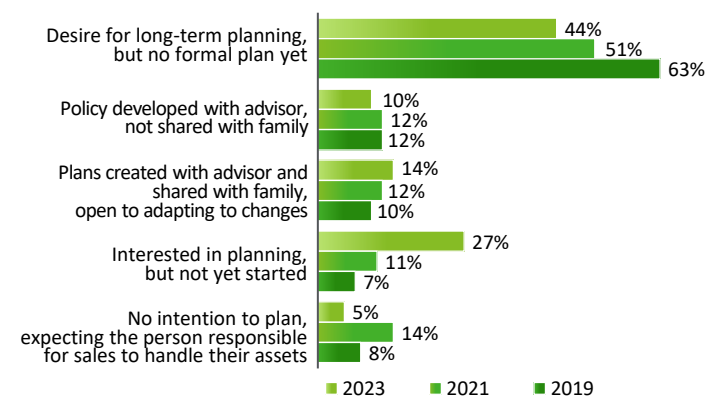
- Inheritance planning:** A growing demand for services and advice on the optimal management and transition of art-related assets across generations.
- Strategic philanthropy:** A need to assist sophisticated donors in achieving their philanthropic goals through art-related donations and initiatives.
- Aligning with societal issues:** Increasing interest in utilizing art collections to create a positive social impact and address a wide range of societal concerns.

There is an urgent need for property design for works of art

- Lack of long-term planning:** Only 24% of collectors have a long-term plan for their collections, indicating a potential need for greater guidance and support in this area.
- Comprehensive asset reporting:** Most collectors (**73%**) consider art and collectibles to be part of their overall asset portfolio, highlighting the need for comprehensive reporting that encompasses both traditional and art-related assets.



Figure 85: Long-term plans for collection activities (collector survey)



Source: Christie's, Sotheby's and Philipps

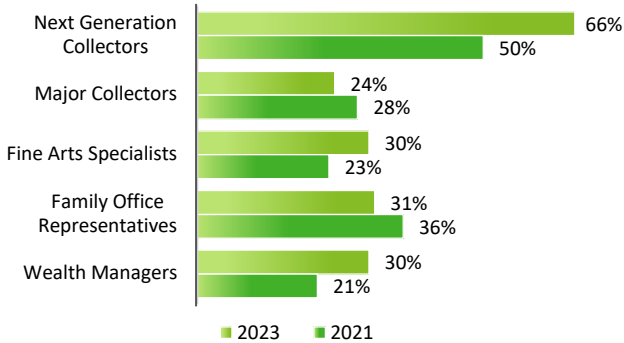
Section 04 : Sustainable Impact Investing in Arts and Culture

Although it is a major engine for sustainable socio-economic recovery, social impact investment in culture and the arts is still lagging behind

» The Importance of Private Investors

- A new financial ecosystem is developing around investing in culture, indicating a growing interest in this sector.
- A deeper understanding of the relationship between responsible finance and art and culture is becoming increasingly important.
- Customers believe that they can achieve higher returns through ESG (Environmental, Social, and Governance) investing, suggesting a growing demand for sustainable investment options in the arts and culture sectors.
- Nearly 31% of family offices express continued interest in investing in social impact projects within the arts and culture.

Figure 89: Demand for Social Impact in the Cultural Domain (% Percentage of respondents who said they were interested or very interested)



Source : Deloitte Luxembourg and Art & Finance Report 2023

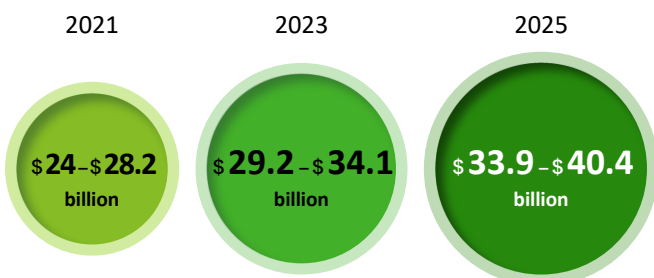
» Supporting impact investment in creative and cultural organizations through new technologies

- The combination of digital ownership, access rights, and utilities could lead to the emergence of new financial models for the nonprofit sector in the near future

Section 05 : Art-backed Loans

As economic conditions become more challenging in many parts of the world, 63% of asset managers believe that art owners will increasingly take out loans against their collections

Artwork Loans Market Size (Estimated)



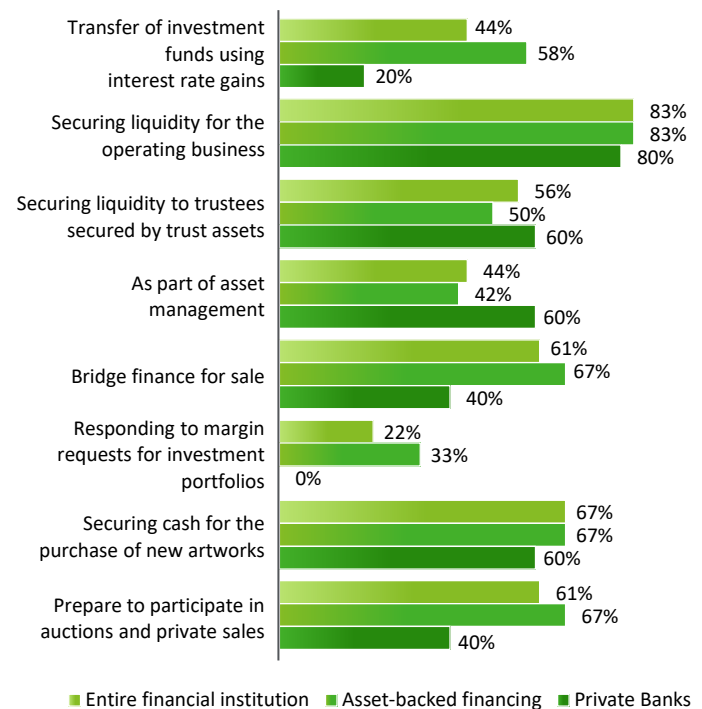
80% of private banks and 83% of asset-based financial institutions identify liquidity needs for business operations as a major driver of art-backed loans.

For private banks, the strongest incentive to use art-backed financing is to purchase more art, with a significant increase from 8% in 2021 to 41%.

» Acquisition Finance on the rise amid bearish art market

- Art Acquisition as a Key Driver: 60% of private banks and 67% of asset-based lenders identify using art-backed loans to purchase artwork without selling other assets as a key driver of their art lending business. This highlights the growing appeal of leveraging art assets for further investment in the art market.
- Globalization of the Market: As the U.S. market matures, Asia and Europe are emerging as promising growth areas for art-backed financing. This suggests a broader geographic expansion of this financial tool, offering new opportunities for both lenders and borrowers in the art market.

Figure 107: What are the most important "demand drivers" for art-backed loan services over the past two years? (2023)



Source : Deloitte Private & Art Tactic Report 2023

Section 06 : Art and Investment

Art as a Hedge: While art can act as a partial hedge in uncertain times, its long-term performance is not satisfactory

Positive Outlook for High-End Works: Despite general uncertainty, the market for top-tier artworks remains strong, indicating continued demand for exceptional pieces.

Art Investment Remains Niche: While family offices are showing increasing interest in pure art investment, it still represents a specialized service with limited adoption compared to traditional investment options.

Family Offices Outpace Private Banks: In the next 12 months, 22% of family offices are expected to demonstrate a stronger appetite for art investment services compared to 14% of private banks, suggesting a potential shift in the primary users of these services.

Table 6: Average Growth Rate (H1 2023)

Artnet indices and financial indices	12-month return	5-year CAGR	10-year CAGR	15-year CAGR	20-year CAGR
Fine Art (Top 100)	3.8%	-0.4%	-0.1%	2.5%	5.8%
European Old Masters	8.9%	1.6%	0.1%	-0.8%	1.4%
Impressionist Art – Global	4.3%	-0.8%	-0.8%	-1.5%	1.9%
Modern Art – Global	5.8%	-0.4%	-1.3%	-1.3%	1.9%
Post-War Art – Global	-9.8%	1.4%	2.2%	1.1%	5.4%
Contemporary Art – Global	-10.6%	-0.3%	-0.1%	1.4%	5.4%
S&P 500	17.6%	10.4%	10.7%	8.7%	7.9%
MSCI World	11.7%	10.9%	10.4%	7.8%	8.8%
Case-Shiller US National Home Price Index	-4.7%	7.4%	6.4%	3.8%	4.0%
Gold Fixing Price	4.2%	8.8%	4.7%	4.9%	8.9%
CPI-U	5%	4%	3%	2%	2.5%

Source : Artnet Worldwide Corporation

Inflation Fuels Interest in Art as Asset Class: 76% of collectors and 73% of art professionals believe that rising inflation will drive greater interest in art as an asset class, potentially leading to increased demand and price appreciation.

Value Preservation Over Returns

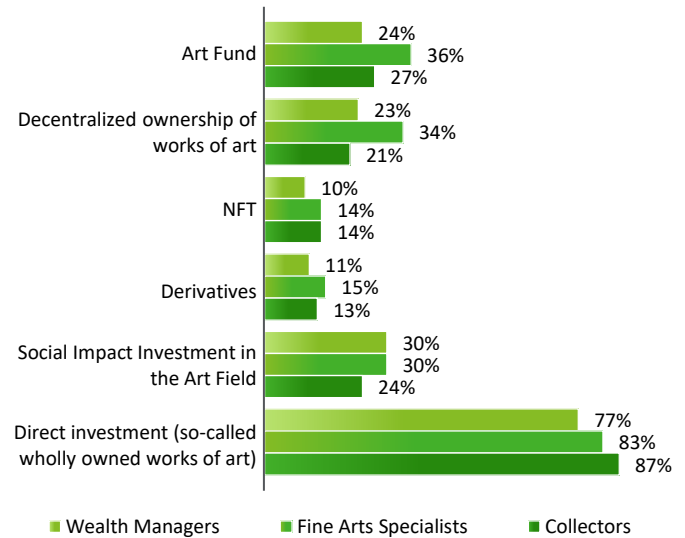
44% of collectors (up from 30% in 2021) and 47% of art professionals (up from 37% in 2021) perceive a growing interest in art and collectibles as a means of preserving wealth rather than generating high returns.

Portfolio Diversification: 71% of family offices consider diversification a key argument for incorporating art and collectibles into traditional asset management, a significant increase from 55% in 2021.

Generation Gap in Art Investment: Younger collectors are more inclined to invest in new or emerging art, while older collectors tend to favor established artists and genres.

- **Cautious Approach to Tokenization:** A conservative approach to decentralized ownership and tokenization of art persists due to a lack of track record and the nascent nature of the industry.
- **Growing Interest in Fractional Ownership:** While only 23% of wealth managers, 34% of art professionals (up from 26% in 2021), and 21% of collectors currently see fractional ownership or tokenization as appealing investment products, expectations are high for next-generation collectors, with 50% showing interest.

Figure134: What are the financial products of the highest interest in art investment? (2023)



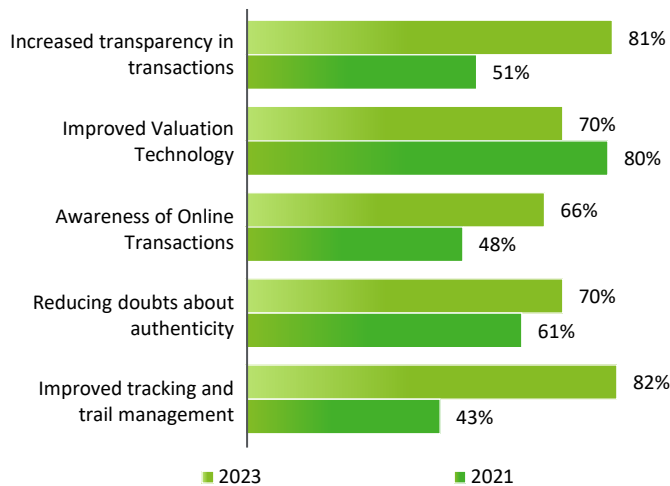
Source : Deloitte Private & ArtTactic Art & Finance Report 2023

Section 07 : Technological Innovation

Technology Brings Art and Finance Closer

- **Technology as a Catalyst:** 64% of wealth managers believe that technology will inspire them to integrate art and collectibles into their existing wealth management services, indicating a significant role for technology in expanding the scope of financial offerings.
- **Transparency through Technology:** A vast majority of stakeholders – 81% of wealth managers, 79% of collectors, and 83% of art professionals – agree that technology can enhance transparency in the art market.

Figure148: What technologies are influencing online art transactions? (Wealth Managers)



Source : Deloitte Private & ArtTactic Art & Finance report 2023

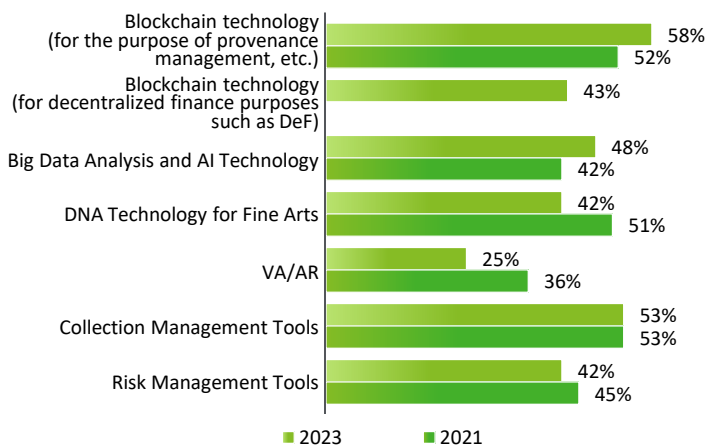
Blockchain Adoption: Following the fluctuations in the NFT market, blockchain technology is gaining traction among art professionals, increasingly seen as a valuable infrastructure tool rather than just a speculative asset.

Enhanced Traceability and Tracking: The majority of stakeholders (82% of wealth managers, 88% of art professionals, and 82% of collectors) believe that technology, particularly blockchain, can significantly improve the traceability and transparency of art and collectibles, potentially addressing issues of provenance and authenticity.

Blockchain Appeal Among Young Collectors: 80% of young collectors express confidence in blockchain as a reliable technology for registering and tracking art and collectible assets.

Technology for Authenticity Verification: A significant majority (70% of asset managers, 81% of art professionals, and 80% of art collectors) believe that technologies such as AI and DNA analysis can help combat authenticity issues in the art and collectibles market.

Figure142: Questionnaire on the technologies that contribute most to the advancement of art and asset management practices (wealth managers)



Source : Deloitte Private & ArtTactic Art & Finance report 2023

Section 08 : Risk Management and Regulation — The Urgent Need for Modernization

Dissatisfaction with Existing Practices: The majority of wealth managers, collectors, and art professionals remain critical of existing art market practices, citing conflicts of interest, ambiguous roles, and lack of transparency as key issues.

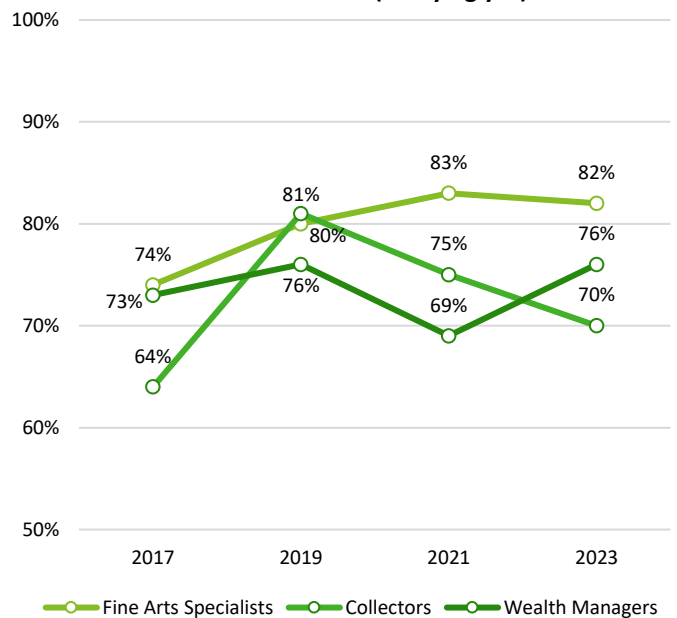
Lack of International Standards: There is a notable absence of international standards for professional qualifications in the art market, leading to inconsistencies and potential risks for buyers and sellers.

Debate Over Regulation: Opinions are divided on whether self-governance or increased regulation is the best path forward, suggesting a need for a hybrid approach that balances autonomy with oversight.

Slow Pace of Regulatory Change: There is a general consensus among stakeholders that the introduction of more transparent regulations is likely to take longer than initially anticipated in 2021.

Technology as a Solution: New technologies like blockchain, along with innovative data ownership and access models, offer the potential to address these challenges by enabling both confidentiality and transparency, ultimately creating a more efficient and trustworthy marketplace.

Figure 155: Does the art trade and the art market need to be further modernized? (% saying yes)



Source : Deloitte Private & ArtTactic Art & Finance report 2023

02. Japan's Art Scene Trends



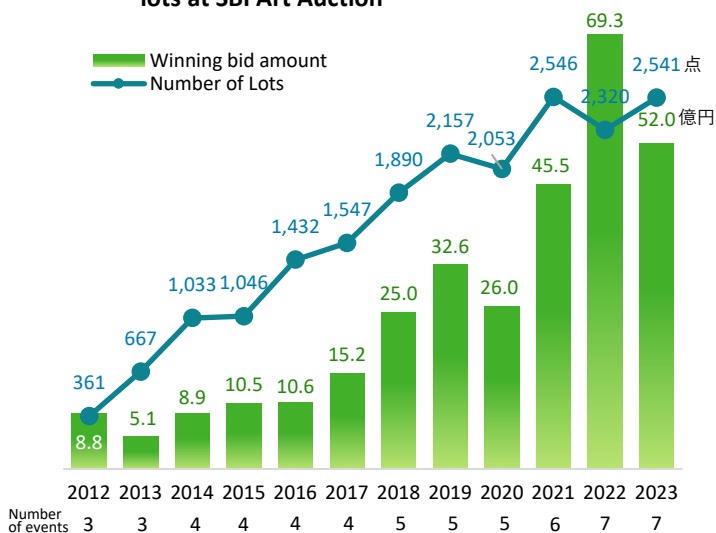
02. Japan's Art Scene Trends

1-1. Aspects of the "art bubble" due to the inflow of funds into the art market

Since the release of the "Market Report on Japan's Art Industry" in 2016, the Japanese art market had remained relatively stable around 250 billion yen until 2019. However, the COVID-19 pandemic caused a decline, with the market falling below 220 billion yen in 2021.¹ In contrast, major art markets like the United States, the United Kingdom, and France experienced more significant declines, with auction volumes dropping by over 30% in 2020 compared to the previous year, while Japan's decline was only 14%.²

Despite the shrinking market size, there are signs of a burgeoning art boom, driven by the entry of new buyers. At Japan's first bonded art auction held at Haneda Airport in March 2022, Andy Warhol's work sold for 2.3 billion yen, setting a new record for the highest bid in Japan.³ Major art auction house SBI Art Auction has also seen a steady increase in transaction volume (Fig. 1), attributed to surplus funds from "unprecedented monetary easing" flowing into the art market and attracting a new demographic of buyers.⁴ However, the art market in 2023 is showing signs of cooling down, reflecting increased global uncertainty due to factors such as inflation, high interest rates, and escalating international instability.⁵

Figure 1 : Changes in the winning bid price and number of lots at SBI Art Auction⁶



1-2. Emergence of Emerging Wealthy Art Collectors

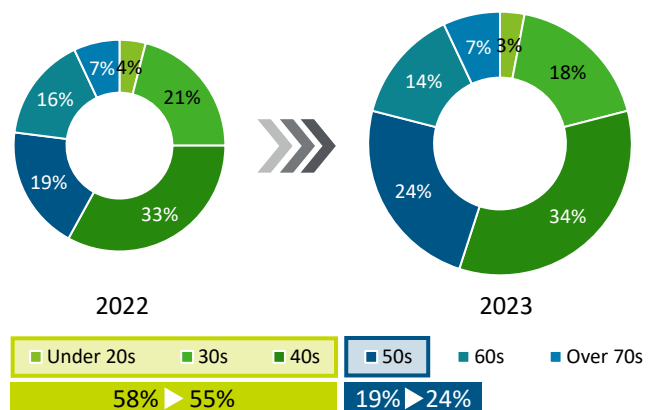
Young entrepreneurs and newly affluent individuals have become significant players in the Japanese art market, particularly in the contemporary art sector. In 2017, Yusaku Maezawa, the founder of ZOZO, made headlines by purchasing a Basquiat work for 12.3 billion yen.⁷ This high-profile acquisition inspired a new generation of collectors, often dubbed the "Maezawa Children," who view art as a viable investment and status symbol.⁸

These new collectors are actively engaging with the art world through clubs and study groups, using art as a means of networking and socializing.⁹ Some see contemporary art as a source of inspiration for new ideas,¹⁰ while others engage in speculative buying and selling, hoping to profit from market fluctuations.¹¹

The COVID-19 pandemic further influenced the market landscape by accelerating the shift towards online platforms. SBI Art Auction's launch of a comprehensive online bidding system in June 2020 led to a surge in new registrations, with the majority of successful bidders being under 50 years old.¹² However, in 2023, there was a notable increase in the proportion of successful bidders in their 50s, suggesting a potential shift in the demographics of online art buyers.¹³

Figure 2: SBI Art Auction¹⁴

Percentage of successful bidders by age group



The demographics of art buyers at department stores have also shifted, with a notable increase in purchases of works by Japanese masters and Western paintings by older individuals who typically own detached houses.¹⁵

Among younger buyers, there is a clear preference for works by young artists influenced by street culture. Artists like KYNE and Ayako Rokkaku have experienced a surge in popularity, with their auction volumes in 2022 exceeding five times that of 2020.¹⁶ Sueo Mitsuba of Mizuma Art Gallery highlights a trend among young collectors who refer to their collection of works by artists such as Yukimasa Ida, KYNE, Miu Komatsu, TIDE, and Tomokazu Matsuyama as a "full house."¹⁷ In fact, in the first half of 2022, Japan ranked fourth globally in the number of ultra-contemporary artists under 40, following only the United States, the United Kingdom, and China.¹⁸

Furthermore, companies are increasingly venturing into the art business to connect with the newly affluent. Established in 2021, MAGUS, a joint venture between Mitsubishi Estate, Tokyu, Terada Warehouse, and TSI Holdings, provides marketing and other support to companies seeking to attract wealthy individuals as new customers. Sumitomo Mitsui Financial Group has also established an in-house art team dedicated to contributing to the art market and expanding its services for high-net-worth individuals.²⁰

Figure 3: Trends in Auction Transaction Volume in Japan for "Full House" Artists (Reference: Artprice.com)

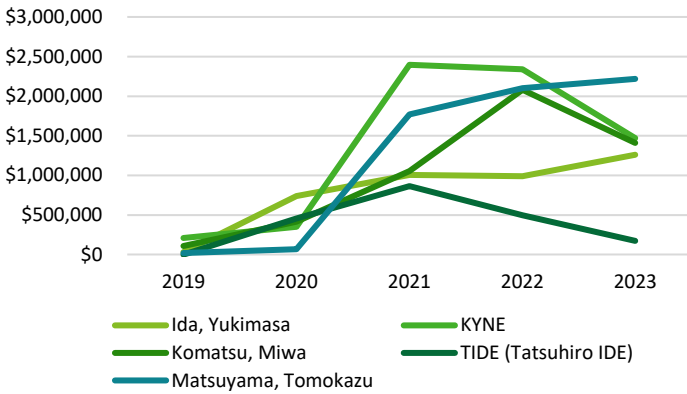
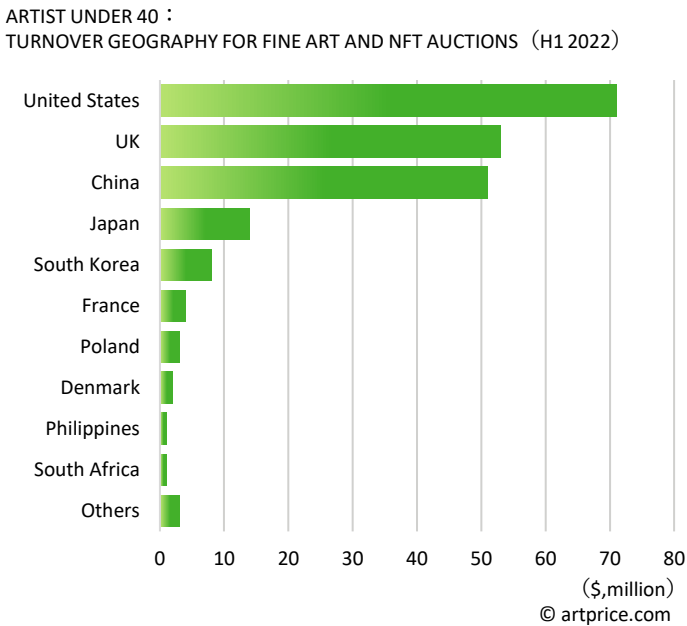


Figure 4: Auction volume by country in the first half of 2022 for artists under the age of 40¹⁹



1-3. Birth of a new art fair

Responding to this market boom, new art fairs and auctions are emerging throughout Japan. In July 2023, the inaugural "Tokyo Gendai" international art fair attracted over 20,000 visitors and reported strong sales, with some works fetching prices in the hundreds of thousands of dollars.²¹ Art Collaboration Kyoto, held annually since 2021, has also evolved into an international fair where Japanese galleries invite overseas counterparts to collaborate and exhibit, doubling its venue size for the third edition in October 2023.²² Additionally, Art Week Tokyo, launched in partnership with Art Basel to showcase Tokyo's existing art institutions to the global art community, saw 51 art spaces participate in its third edition in November 2023, following the previous year's success with over 32,000 attendees during the four-day event.²³

This alternative approach to art promotion, combined with the end of the COVID-19 pandemic, the significant recovery of foreign tourism to Japan, the weakening yen, and Japan's overall appeal, has successfully attracted a significant degree of international attention.²⁴ However, questions remain about the gallery lineup at Tokyo Gendai and Tokyo's overall market potential in the global art scene.²⁵ Furthermore, these new art fairs often receive government support and subsidies aimed at boosting tourism and revitalizing local economies, suggesting a broader agenda beyond pure market-driven considerations.²⁶ Meanwhile, Art Fair Tokyo, Japan's largest art fair in terms of participating galleries, continues to thrive, recording record sales of 3.08 billion yen in 2021 and 3.36 billion yen in 2022.²⁷ While many new art fairs in Asia focus primarily on contemporary art, Art Fair Tokyo's unique approach of showcasing a diverse range of works from various eras and genres has become a distinguishing feature.²⁸ In contrast, ART OSAKA, established in 2002, achieved record sales of around 215 million yen in 2022²⁹ but experienced a decline to 102 million yen in 2023.³⁰

1-4. Increase in gallery complexes

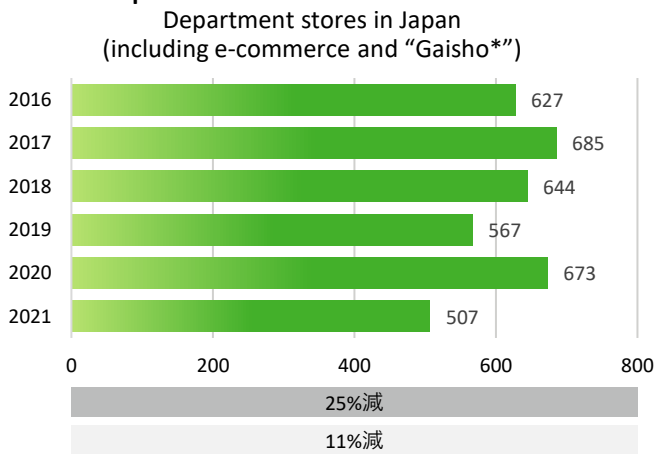
A notable trend among commercial galleries is the increasing participation in overseas art fairs. Since the 2010s, major galleries have been establishing a presence in buildings operated by Mori Building in the Roppongi district.³¹ In the Tennozu area, Terada Warehouse opened TERRADA ART COMPLEX I and II in 2016 and 2020, respectively, creating Japan's largest gallery complex with a total of 20 galleries.³² Furthermore, new gallery complexes are emerging, including the Maebashi Galleria in Maebashi City, Gunma Prefecture, which opened in May 2023, and the TODA Building in the Kyobashi area, scheduled for completion in Fall 2024. These complexes will house multiple galleries, including Taka Ishii Gallery and Tomio Koyama Gallery, both of which are expanding their presence beyond the Tokyo metropolitan area. In October 2023, Kyoto Takashimaya S.C. opened Kyoto Tsutaya Bookstore, featuring eight exhibition spaces – the largest number in the store's history – dedicated to a wide range of artistic genres.³³ Mori Building's ambitious redevelopment project, "Azabudai Hills," also boasts a concentration of art-related facilities, including the Azabudai Hills Gallery, which is hosting an Olafur Eliasson exhibition in November 2023.³⁴ Additionally, the Mori Building Digital Art Museum: Epson teamLab Borderless has been relocated and reopened from Odaiba, and The Chain, operator of ArtSticker, also located there. Furthermore, the gallery and restaurant hybrid, Behind the Scenes are complement these art spaces. Notably, international mega gallery PACE opened its first Japanese space in the spring of 2024.

1-5. Department stores actively enter the field of contemporary art

According to the "Market Report on Japan's Art Industry," the purchase of art through domestic department stores is on a downward trajectory. This decline can be attributed, in part, to the recent trend of department store closures and reductions in sales floor space, particularly in rural areas and the outskirts of major cities.

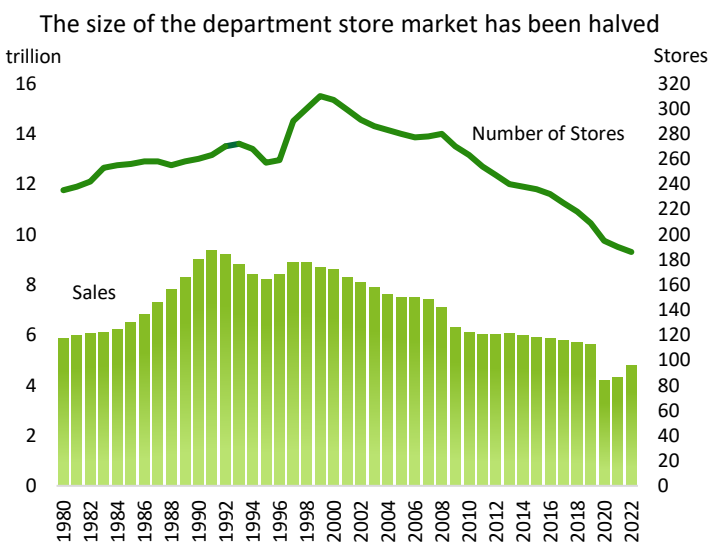
However, the COVID-19 pandemic has also triggered changes in the purchasing demographics, leading to some successes in the department store art market.³⁵ While sales of traditional Japanese and Western paintings have slowed, contemporary artists like Banksy have seen a surge in demand. Daimaru Matsuzakaya Department Store reported that the sales ratio of contemporary art increased from 15% in the previous year to 35% in 2020,³⁶ indicating a strategic shift towards this growing market segment. The company has also expressed its ambition to increase art sales from the current level of just under 10 billion yen to 100 billion yen in the future. Similarly, the Seibu Ikebukuro flagship store experienced a nearly threefold increase in contemporary art sales in the fiscal year ending February 2022 compared to the previous year, suggesting a growing appetite for contemporary art among department store shoppers.³⁷

Figure 5: Changes in sales of artworks at department stores in Japan



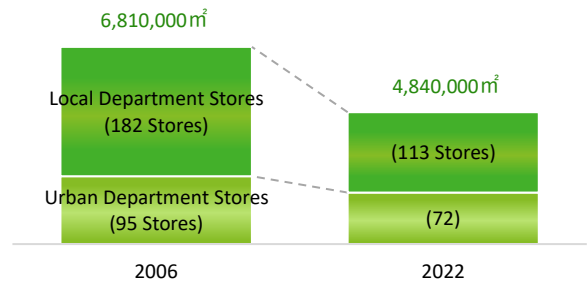
**"Gaisho" service offered by Japanese department stores is unique, catering to affluent and VIP customers. Gaisho representatives visit customers at their homes or offices to provide personalized product recommendations and take orders. This service is characterized by high customization and personalized attention.

Figure 6: Changes in store area and sales by product at department stores in Japan³⁸



Note: According to research by the Japan Department Stores Association. The number of stores is as of the end of December

Changes in the store area of department stores



Note: Based on statistics from the Japan Department Stores Association. The city's department stores are located in the 23 wards of Tokyo, Sapporo, Sendai, Yokohama, Nagoya, Kyoto, Osaka, Kobe, Hiroshima, and Fukuoka. As of the end of December. Number of stores in parentheses

Department Store Sales by Product Growth Rate

Product Category	Growth Rate (%)
Total Amount	▲11.1
Clothing	▲18.7
Personal Items	1.9
Cosmetics	▲32.6
Art, Jewelry, Precious Metals	19.9
Groceries	▲6.4

Note: Based on statistics from the Japan Department Stores Association. Like-for-like comparison. ▲ is a minus. "Personal items" refers to shoes, accessories, handbags, etc. The products are excerpted from the classification of the association. "Cosmetics" and "Art, Jewelry, and Precious Metals" are subcategories, while others are classified as large

1-6. Signs of poor auction results in 2023

The art market, which had been experiencing a boom due to the influx of new collectors, shows signs of cooling down in 2023. One indication of this shift is the performance of Japanese street artists at auction. After a period of skyrocketing prices, their works are now increasingly failing to reach their minimum estimates.³⁹ For instance, the auction failure rate for Rokkaku Ayako's works has risen from just 1.2% in 2020 to 23.7% in 2023.⁴⁰

In contrast, works by postwar Japanese artists are gaining prominence. In the May 2023 SBI Art Auction, a Kazuo Shiraga piece entered the competition for the top lot for the first time since 2015, and works by Masaaki Yamada, Nao Domoto (both from the 1960s), and Yoshishige Saito (from the 1980s) all exceeded the maximum estimate by 2.5 times or more.⁴¹

The sustaining engagement and interest of the engagement of new, young collectors remains uncertain, and this could significantly impact future market trends. While the Japanese art market has unique characteristics compared to other countries, efforts to harmonize with global trends are also gaining traction. The key question is whether investments aimed at improving the market environment and institutional reforms can keep pace with the evolving dynamics of art sales.

03. Interview



03-1. Committing to Changing the Mindset of the Wealthiest individuals: Supporting Strategic Philanthropy as a Private Bank

Despite being home to some of the wealthiest individuals globally, Japan has traditionally lagged behind other countries in art investment. However, this trend is shifting, particularly among younger generations. To gain insights into this evolving landscape and the growing interest in art as a financial asset, we interviewed Mr. Takahashi, Katsunori, General Manager of SMBC's Private Banking Division.



Takahashi, Katsunori
General Manager,
SMBC's Private Banking Division



Nagai, Kiyohiko
Managing Director,
Deloitte Tohmatsumi Risk Advisory LLC

Nagai: SMBC Group has been actively involved in the art world, partnering with events like Art Week Tokyo and Tokyo Gendai, showcasing works from prominent Japanese collectors at the Earth Garden space in the Sumitomo Mitsui Banking Corporation East Building, and collaborating on projects with organizations like Heralbon. Could you please elaborate on the motivations and goals behind SMBC's increased focus on the art field in recent years?

Takahashi: Our primary objective is to create a communication channel with our clients. However, branding also plays a significant role. High-net-worth client services have a distinct brand aspect. To reinforce our commitment to substantive actions, we also extend our support to art events. In addition to the art world, we've also begun exploring opportunities in the wine industry.

Nagai: We're seeing a global trend, particularly among younger generations of wealthy individuals, who are redefining what it means to be a collector. Beyond simply accumulating assets, there's a growing emphasis on building collections that align with ESG principles. What are your thoughts on this trend in Japan?

Takahashi: This is where we see the greatest increase in awareness around these issues. We've noticed a growing understanding of ESG principles among younger affluent individuals, particularly business owners. While overseas, wealthy individuals are known for their extensive philanthropic activities, we recognize a burgeoning need in Japan to utilize assets for addressing social challenges. To meet this need, we've established a cross-functional team to spearhead our philanthropy advisory services. We're developing a comprehensive offering that goes beyond simply connecting donors with recipients or providing tax advice. Our goal is to offer integrated philanthropy advisory, guiding clients through strategy development and operational management. As a leading financial institution in Japan, we believe there's value not only in responding to clients' evolving interests but also in proactively shaping trends. We aim to lead the way in promoting a more socially conscious approach to wealth management in Japan.

Nagai: What is your view on art as a financial asset and its succession?

Takahashi: In our private banking practice, we assist clients with asset planning, and we recognize the growing need for succession planning in the realm of art collections. However, we often encounter situations where family members are not as passionate about the art as the original collector. While Swiss private banks have been offering assistance with collection policies, we believe that providing truly insightful advice requires cultivating long-term relationships with our clients and collaborating closely with art experts. Our approach goes beyond merely assessing the financial value of artworks. We aim to understand the deeper meaning and significance of the collection for the owner, and to help them articulate their vision for how they wish to pass it on to future generations. This involves building trust and rapport with clients over time, engaging in open and honest dialogue about their artistic passions, and working collaboratively to develop a succession plan that aligns with their values and aspirations.

Nagai: Finally, could you share your thoughts on the challenges and opportunities that financial institutions face when engaging with the art world?

Takahashi: One of our primary challenges is nurturing a team of specialists who possess a deep understanding of both art and finance. The art industry's complex business structure and unique market practices necessitate the development of clear legal frameworks and standards to guide our advisory services. For instance, establishing clearer guidelines for fiduciary duty could facilitate our ability to create social value through our banking operations. However, determining who should lead the charge in strengthening regulations remains a key question. Furthermore, we recognize the need for greater transparency in the art market's trading environment, particularly concerning provenance management. We believe that technological advancements can play a crucial role in addressing this issue. Ultimately, to earn and maintain the trust of our clients over the long term, we must acknowledge the non-financial impact of art. We are committed to making meaningful, sustained efforts in this space, with the aspiration of becoming a preferred partner for our clients in the art world.

03-2. The Relationship between Art and Business from the Data Business Side

In our increasingly digital world, art has become more integrated into our daily lives, and people are seeking deeper experiences and emotions through artistic expression. This shift in needs is also transforming the role of art itself. How does the business world perceive this change? We spoke with Yoko Ishii of QUICK Inc. to gain insights.



Ishii, Yoko
QUICK Inc.
Innovation Planning Dept.



Mima, Ayari
Deloitte Tohmatsu Risk Advisory LLC

Mima: With the rise of digital technology, we've seen a shift in how people engage with and appreciate art. In this era of interactive art, how do you see art's role evolving and what new contributions is it making to society?

Ishii: I'm particularly interested in how digital technology is transforming the relationship between artists and audiences. For example, blockchain platforms have enabled direct communication, allowing artists to receive immediate feedback from viewers and collectors. I believe this shift will influence artists' creative processes and empower audiences to choose works that resonate with their values. Direct interaction also allows collectors to gain deeper insights into artworks and their true value by understanding the artist's intentions and stories firsthand.

Furthermore, digital technology allows artists to track and analyze how their work is received and enjoyed. Social media and online platforms provide valuable data on audience engagement, quantifying and visualizing how people experience art. The popularity of immersive and experiential art, such as teamLab and the Immersive Museum, reflects this trend toward interactive art.

However, as art becomes more accessible and mainstream, there's a risk of commodification and a growing divide between traditional contemporary art and popular, market-driven works. The focus on quantitative data can sometimes overshadow the intangible aspects of art, such as its unique value, the artist's intent, and its historical and cultural context. Therefore, I believe that art education is more crucial than ever before. It's essential to cultivate a deeper understanding and appreciation of art beyond its surface appeal.

In this era, I see the main contribution of art as its ability to engage our senses and emotions, particularly our visual sense, while conveying universal values that transcend language, personal experiences, and generational differences. Art has the power to resonate with our deepest emotions and connect us on while fostering innate human relationships free from any barriers.

Mima: Given art's powerful ability to resonate with people's emotions and subconscious, what innovative approaches do you think businesses need to adopt in their product development processes? Additionally, what factors do you believe are essential for companies to leverage art effectively, whether it's to enhance existing products or create entirely new forms of value?

Ishii: Given art's innate ability to resonate with people on a deep, subconscious level through visual stimuli, businesses need to embrace innovative visual approaches that evoke a sense of novelty and surprise in their audience. teamLab, for example, exemplifies this approach by masterfully blending digital and analog elements to create unique and immersive experiences that stimulate all five senses.

For companies to unlock new business value through art, it should be utilized in a context that allows for the exploration of long-term values and goals, rather than simply addressing short-term, design-oriented problems. While design is a valuable tool for engineering business value, art offers a broader perspective. It prompts questions like, "What is our company's ultimate purpose?" "What is the core value we want to offer the world?" "Who are we trying to reach, and how can we best connect with them?"

This reveals a fundamental difference in the time horizons of design and art. Design typically focuses on solving immediate challenges. Art, on the other hand, can help us delve into deeper, more philosophical questions about our long-term vision and purpose, extending far beyond the scope of a typical medium-term management plan. Ultimately, art can help us answer the essential question: "What are we truly striving for?"

Mima: I anticipate an increased utilization of art in branding to bolster companies' medium- to long-term presence. This trend capitalizes on art's inherent ability to visually resonate with people on a deep emotional level. How do you envision art specifically contributing to this goal?

Ishii: In today's complex landscape, it's challenging to distill a brand's message into a single, concise statement. This is where art can play a crucial role as a non-verbal communication tool, expressing the nuances and emotions that words alone may not capture.

Expressing a brand's worldview through art, especially in the luxury sector, is key to fostering a loyal customer base who resonate with the brand's values and identity. This approach can help nurture customers into dedicated fans, expand the customer base, and cultivate long-lasting relationships. For a company to effectively engage with customers on a deeper level through art, it's crucial to maintain a high level of intellectual prowess within the organization and cultivate a culturally literate workforce. The art world is vast and diverse, and not every artwork will automatically enhance a company's brand value. This underscores the importance of art education within the company, ensuring employees understand the nuances of different art forms and can select pieces that align with the brand's message.

This process begins with clearly defining and articulating the values the company wishes to promote and the themes it wishes to avoid. However, the benefits of incorporating art extend beyond external communication. Art can also enrich the internal culture of a company, fostering deeper cultural understanding and raising the overall intellectual level among employees. When employees engage with art and gain new perspectives, it can spark creativity and innovation across the organization. Furthermore, by leveraging art to elevate brand value, companies can contribute to the broader social and economic significance of art, ultimately revitalizing the art market itself. In this context, it's important for businesses to support artists who are recognized for their talent and contributions to art history. This support not only brings fresh ideas and creativity to the market but also encourages diversity and innovation within the company. Creating such an ecosystem fosters a symbiotic relationship between companies and artists, allowing artists to receive fair compensation for their work and ensuring the market operates with equitable pricing mechanisms. This, in turn, deepens the connection between companies and the art world, leading to art being embraced as a valuable brand asset.

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