

The FinTech Market in Japan

a. Market Overview (Market Size, Market Environment)

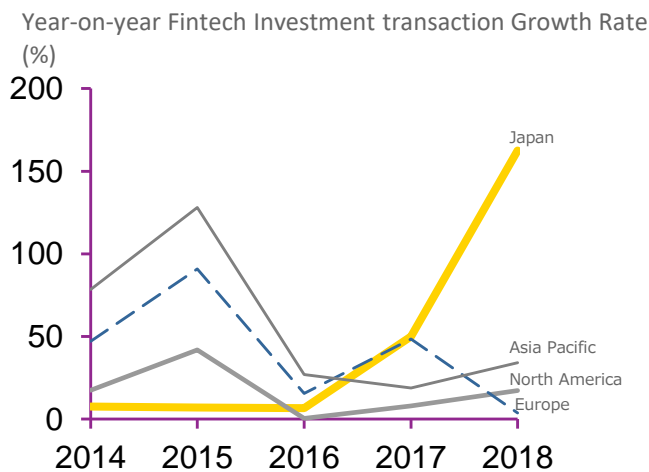
While the FinTech markets in other countries are maturing, the Japanese FinTech market is expected to maintain its high growth rate. After providing an overview, this report takes a look at the sectors (subsegments) of and the technologies used in the Japanese FinTech market.

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Japan has seen a steady increase in year-on-year growth of the number of FinTech Investments transaction since 2016, while other key regions have seen a downtrend after a peak in 2015.

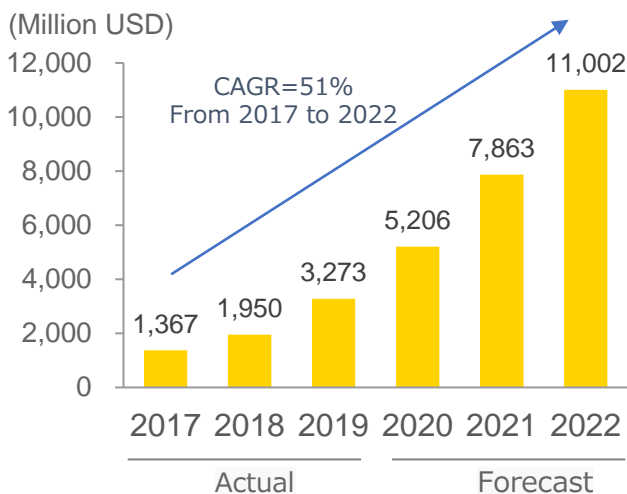
FinTech Investments transaction number Growth Rates²
 (International Comparison: 2014-2018)



a-1. Japanese FinTech Market Size

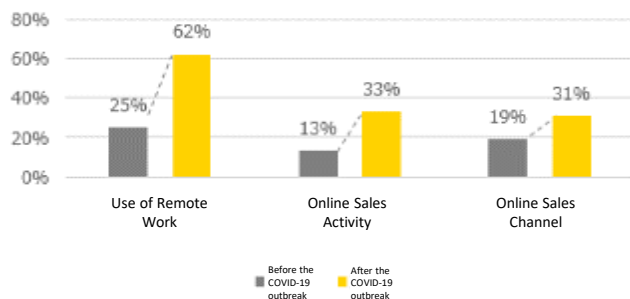
The Japanese FinTech market has seen a rapid expansion since FY2018. Further high growth is expected, with the market size projected to reach approx. 11 billion US dollars by 2022 (CAGR=51%).

Japanese FinTech Market Size¹
 (2017-2022)



The digitization of the Japanese society has accelerated in the wake of COVID-19, and the resulting needs are also driving the demand for FinTech.

Status of Digitization in the Wake of COVID-19



Source :
 1. Yano Research Institute, Present Status and Future Outlook of the FinTech Market 2019
 2. CB Insight, FinTech Report
 3. ITR, Impact Survey on Corporate IT Trends in the Time of COVID-19, May 12, 2020

The FinTech Market in Japan

a. Market Overview (Market Size, Market Environment)

a-2 Japanese FinTech Market Environment

Positioning FinTech as part of its national strategy, the Japanese government has been working on the economic growth through promoting innovation and the development of the market environment to solve social issues. Examples of deregulation are described below.

Revision to the Cross-Industry Regulatory System

The complex licensing system and the high costs for regulatory compliance used to be the barriers to new entries from other industries, but fair competition conditions have been created by eliminating the complicated regulatory system.

Facilitating Investments in FinTech Companies

Strict restrictions on investments in other industries, which prohibited banks from holding more than 5% of the voting rights of a domestic company and 10% in the case of insurance companies, were relaxed. This allows both banks and insurance companies to invest beyond the upper limit of the investment restrictions.

Promotion of Information Utilization

The emphasis on personal information protection and security measures has hindered the progress of data utilization. However, data distribution among businesses has become possible to the extent permitted by the Personal Information Protection Act, which has accelerated the development of new services and the initiatives of information banks.

Completing Procedures Online

Procedures such as opening accounts can be completed online using online registration / identity verification with a smartphone or an app, for which sending a postal mail used to be required.

Simplifying Payment-related Licenses

A Funds Transfer Service license can be used to handle money transfers of over one million yen, where a banking license was previously required. A deposit of 10 million yen is no longer required for handling only money transfers of less than several tens of thousands of yen.*

* Note that segregated management of client assets is required.

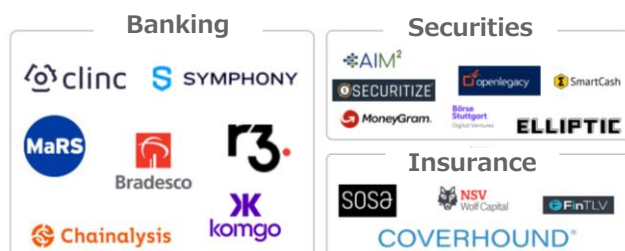
Launch of the New License for Financial Intermediaries

Separate sector-specific licenses used to be required for intermediation in banking, securities, and insurance. Now, intermediation in all sectors can be conducted by obtaining a Financial Services Intermediary license.

Japanese Companies' Needs for Collaboration with FinTech Companies

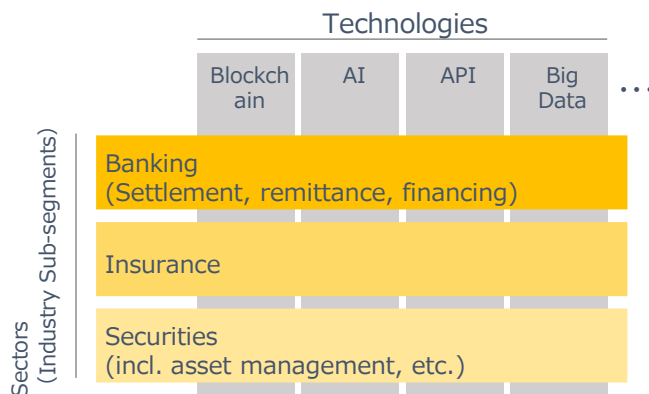
Japanese companies are actively investing in, partnering with, and conducting Proof-of-Concepts with FinTech companies (examples below)

- <Banking> Promotion of collaboration with settlement agents through open APIs; streamlining of operations using AI, chatbots, etc.
- <Securities> Digital securities, etc. using security tokens
- <Insurance> Collection of health information using wearable devices, etc.



a-3. Application Areas and Technologies of FinTech

This report categorizes the industry sectors (sub-segments) of FinTech applications into banking, insurance and securities as follows, and provides an overview of the size and trends of each sector. The major technologies used for FinTech include blockchain, AI, APIs to Big Data.



The FinTech Market in Japan

b. Market Overviews

b-1. Japanese FinTech Market by Sector

Banking is the largest FinTech market sector. This sector comprises payments using smartphones and tablets, the use of blockchain, etc., and holds the potential for further growth. The insurance and securities sectors of the FinTech market are also expected to expand despite being smaller in size than the banking sector.

	Market Size (Million USD)		Trends (Examples)	
Banking (Settlement, remittance, financing)	1,400	✓	Mobile payments using smartphones and tablets Virtual currency trading using the blockchain technology	▶ To be detailed in Report Vol.2 (Dec.)
Insurance	900	✓	Risk assessment using big data/AI at the time of insurance purchase	▶ To be detailed in Report Vol.3 (Jan.)
Securities (Asset Management, etc.)	350	✓	Investment advice from robo-advisors	▶ To be detailed in Report Vol.4 (Feb.)

Source: IDC Japan, Projections of FinTech-related Spending by International Financial Institutions 2019 METI, FinTech Vision

b-2. Japanese FinTech Market by Technology

The following table shows the application (trends) of major technologies, such as blockchain, artificial intelligence (AI), APIs, and Big Data in the FinTech sector. These technologies (as well as other technologies) are expected to be used in FinTech in the years ahead.

	Blockchain	AI	API	Big Data
Market Size (mil \$)	•2019 : 171.5 •2022 : 1235.9 ¹	•2019 : 818.4 •2022 : 3,458.8 ²	•2019 : 8878 •2022 : 20644 ³	•2019 : 8848 •2022 : 5,617.3 ⁴
Trends 5	• Issuance and management of securities on the blockchain • Application of the blockchain to interbank systems • Cashless payment	• Stock price prediction based on news/market data analysis • Streamlining of operations by automatic document creation/call center responses, etc. • Detection of fraudulent transactions • Optimize financial analysis for acquisition and approval procedure	• Real-time integration between mobile banking and other industries (e.g. insurance purchases) • Cloud accounting service • QR code payment service	• Instant stock price prediction based on news analysis • Detection of fraudulent online transactions based on usage patterns • Analysis of accounting processing data to create rules and automate processing • Data analyze for customer service customization

▶ Among the technology fields, this report series focus on the expanding commercial use of blockchain and the crypto-asset-related field with potential for continuous growth, which will be discussed in detail in Report Volume 5 (March) .

Source: 1. Yano Research Institute, Present Status and Future Outlook of the Blockchain Market 2019
 2. IDC Analytics and Artificial Intelligence Report
 3. IDC Analytics of private cloud market
 4. IDC Analytics of bigdata and analytics software market
 5. METI, Reference Data Collection on the Integration of Industry, Finance and IT (FinTech)