

**Japan Embedded Finance Market Assessment, By Finance Type [Embedded Payment, Embedded Insurance, Embedded Investment, Embedded Banking, Embedded Lending], By Business Model [Platforms, Enabler, Regular Entity], By Distribution Model [Own Platforms, Third Party Platforms], By End-use [Retail and E-Commerce, Healthcare, Transportation and Logistics, Manufacturing, Travel and Entertainment, Others], By Region, Opportunities and Forecast, FY2018-FY2032**

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**Report description:**

Japan embedded finance market is projected to witness a CAGR of 35.58% during the forecast period FY2025-FY2032, growing from USD 6.92 billion in FY2024 to USD 79.01 billion in FY2032. The growth in the embedded finance market is governed by factors such as the rise in usage of smartphones and internet users, technological advancements with AI tools, integrating finance with non-finance platforms, consumer demand for convenience, rise in fintech startups, supporting regulatory frameworks, financial inclusion initiatives, and rise in digitalization.

Embedded finance means a non-financial company provides financial products and services through APIs and platforms. It provides companies with access to and utilizes financial services provided by third parties. The market has presented several opportunities for established financial institutions and fintech startups to collaborate and expand their customer reach innovatively.

Embedded finance is growing at a high rate as financial institutions are providing Banking-as-a-service (BaaS) offerings. The use of virtual cards and QR codes are significant in Japan leading to the growth of the market. Credit cards are the most favorable method of payment in Japan with an increase of 16 percent amounting to USD 601,554 million in FY2022.

Integrating Financial Services into Non-Financial Platforms

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The integration of financial services into non-financial platforms has emerged as a fundamental driver fueling the growth of global embedded finance market. This deliberate fusion flawlessly embeds financial services within the ecosystem of non-financial platforms, primarily transforming how consumers and businesses access and utilize financial tools. Traditional boundaries between financial and non-financial sectors are blurred, providing users with a comprehensive and unified experience. It facilitates non-financial businesses, such as e-commerce platforms, ride-sharing apps, and other digital service providers, to offer various financial services directly through their interfaces.

In 2023, Infcurion provided a wallet station to Tsuruha Group's smartphone payment service "Happay", where users can now conduct payments, and collect points and coupons in the app. As consumers increasingly seek flawless, one-stop solutions, the embedded finance market leverages this demand by embedding financial functionalities where users already engage with services in Japan.

#### Rise in Smartphone and Internet Users

The adoption rate of smartphones has significantly increased in the past few years. The proliferation of 4G and 5G connectivity has enabled customers to have hassle-free access to conduct payments through smartphones. Moreover, comprehensive growth in the distribution network of smartphone companies has made smartphone devices easily available for end-users. For instance, Samsung and MI are major mobile phone brands in rural India, owing to their pan-India distribution channel, making online payments accessible to the rural population via their mobile phones. According to the Iron Source, Japan has 107.12 million smartphone users, which is 85 percent of the population. Furthermore, the increase in the use of smartphones and the expansion in faster connectivity have enabled retailers and customers to transact payments through their smartphones, which is indirectly propelling the growth of Japan embedded finance market.

#### Kanto to Dominate Japan Embedded Finance Market

Kanto dominated the Japanese market share in FY2023 owing to the dominance of key market players in the region. Moreover, various embedded finance startups in Tokyo are actively engaging in fundraising initiatives to accelerate the adoption of embedded finance. The regulatory bodies in Japan are actively contemplating policies and regulations to foster innovation and competition in the embedded finance market. They are aiming to maintain a balance between consumer protection and enabling partnerships between financial and non-financial entities. Recently, Smartpay secured USD 7 million in pre-Series A funding to promote expansion and business development efforts in the payment sector.

Also, Kansai is growing faster as Osaka is emerging due to a strong economy and growing tech scenario. The adoption of fintech startups is growing indirectly, leading to the growth of the embedded finance market in the region.

#### Embedded Payment Segment to Dominate the Market

The embedded payment segment dominated the market as traditional invoicing techniques were replaced with embedded payments, which gave firms a faster and more effective means to receive payments. These payments give customers, an access to other funding sources and make shopping simpler, leading to customer delight. Moreover, partnerships between non-financial platforms and payment provide access to secure, reliable, and flexible payment solutions, facilitating the adoption of embedded payments. In 2024, Infcurion and FreeWay started a business-to-business payment service "FreeWay Invoice Card Payment, Powered by Winvoice" allowing users the facility to switch their payment method, delay payment deadlines, and resolve issues related to sudden financing needs.

The embedded lending segment has the highest CAGR due to the increasing demand for seamless and quick access to funds. With lending options at relevant touch points within non-lending platforms, users are exposed to lending products and encouraged to consider their lending needs. The increased awareness is attributed to the growth of the embedded lending segment.

#### Future Market Scenario (FY2025 - FY2032)

The embedded finance solution vendors are integrating their services, making them personalized for end-users, which includes AI integration into lending platforms, machine learning for embedded investment programs, and Internet of Things (IoT) integration with embedded payment options which enhance the end-user experience and continuously transform the market.

In February 2024, Credit Engine launched an "AI Negotiation Chat" in its CE Collection service, which is designed to handle overdue receivables.

#### Key Players Landscape and Outlook

The market is competitive due to the presence of many prominent players. The industry players aim for new product launches and

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partnerships and collaboration as a strategic method to improve their offerings and expand their customer base. Together with the advancement in technologies, such as AI and ML, the market players are reaching newer heights and boosting the growth of Japan embedded finance market.

In March 2024, Chubb Insurance partnered with Smartpay to develop digital insurance products focusing on the embedded insurance sector in the Japanese market. These products will allow consumers to purchase insurance that suits the product they are purchasing at the point of checkout, at a price that caters to their needs.

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\*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work

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