

**Japan POS Payment Market Assessment, By Component [Hardware, Software, Integrated POS Payments], By Terminal Type [Fixed POS, Mobile POS, Pocket POS, POS GPS/GPRS], By Operating System [Windows/Linux, Android, iOS], By End-user [Retail, Travel and Hospitality, BFSI, Media and Entertainment, Manufacturing, Healthcare, Others], By Region, Opportunities and Forecast, FY2018-FY2032F**

Market Report | 2024-09-30 | 136 pages | Market Xcel - Markets and Data

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**Report description:**

Japan POS payment market is projected to witness a CAGR of 6.08% during the forecast period FY2025-FY2032, growing from USD 7.28 billion in FY2024 to USD 11.67 billion in FY2032. A robust presence of traditional brick-and-mortar shops notably marks the retail environment in Japan. These physical stores are an integral part of Japanese culture, providing a hands-on and engaging shopping experience that many consumers favor. This inclination is especially apparent in the purchase of non-durable goods, such as everyday essentials, where shoppers value the opportunity to see, touch, and test products prior to making a purchase. Vendors have consistently supported the adoption of mobile payments through QR code-based transactions with the help of smartphones. In addition, there has been development in various sectors of the ecosystem. The less-cash initiatives are in good shape, which can be witnessed through the formation of a biometric infrastructure found by the government and an increase in the adoption of EMV-based contactless payments, generally known as Near Field Communication (NFC) Pay, in Japan. These forecast trends act as integral drivers in encouraging the adoption of POS terminals across the country.

For instance, in May 2024, Apple announced that the Tap to Pay feature would be available in Japan, powered by three financial services companies: GMO Financial Gate Inc., Recruit Holdings Co., Ltd., and Square Co., Ltd., while many more were on the verge of joining these companies. Additionally, Tap to Pay on iPhone would be available for use in Japanese Apple Stores.

The modern design of the POS terminals lowers the cost of establishment, deployment, maintenance, and power consumption during usage, which accounts for the reduction of the total cost of ownership. Most vendors offer modularly designed POS terminals. Hence, with features such as touchscreen displays and energy-efficient designs wherein, the overall cost of ownership

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is bound to be reduced.

#### Unique Retail Environment of Japan to Lead Market Growth

In Japan, the concept of Omotenashi, or exceptional hospitality, underscores a retail culture focused on personalized customer care. Traditional brick-and-mortar stores remain central to Japanese retail, particularly for non-durable goods, as consumers value the demonstrative shopping experience. However, e-commerce is rapidly growing, with platforms such as Amazon Japan, Yahoo Shopping, and Rakuten gaining popularity due to high internet use, advanced logistics, and competitive pricing.

E-commerce today accounts for about 10% of total retail sales, according to The Ministry of Economy, Trade and Industry, in large part driven by urban density, rapid technological advances, and changing consumer preference. But even as it grows, e-commerce will have to continue playing second fiddle to brick-and-mortar stores, particularly in industries where going into a store is a major part of the experience leading to a purchase decision. Such a duality promotes a unique retail environment, where traditional and online retail coexist and complement each other. It is for this reason that efficiency, integration, and customer-oriented shopping experiences within such a dynamic environment are of primal importance with the help of POS terminals.

For instance, by 2025, Seven-Elevens in Japan are planning to introduce self-checkouts in all their stores. Self-checkouts are machines that allow customers to complete their transactions from a retailer without needing a traditional staffed checkout, which will save more time for customers.

#### Technological Advancements to Cater Market Transformations

The players in Japan POS terminal market are in a race to grab a higher share by focusing on several key strategies and innovations. They integrate mobile payment options, such as QR codes, digital wallets, and contactless payments, against the backdrop of the growing popularity of PayPay, Line Pay, and Rakuten Pay. These terminals come with inventory management, CRM, and data analytics, among other advanced features, while guaranteeing ease of operations and insight into customer behavior. Cloud-based solutions are gaining significant traction. These solutions ensure real-time updates, remote management, and multi-location operation management. Providers are also focusing on additional security by integrating encryption, tokenization, and biometric authentication in the products to help fight fraud and data breaches. Other customizable and flexible POS solutions have been developed for particular industries, such as retail, hospitality, and healthcare. Users can personalize different functionalities in regard to their operational activities.

For instance, in February 2023, Ingenico introduced Palm Vein Identification, which includes several advantages over Face recognition and Fingerprint identification, such as security and privacy. Since the vein patterns are inside the body, they cannot be captured without the user's consent. It ensures better privacy and reduces the risk of unauthorized data collection, including benefits such as accuracy, reliability, hygiene, liveness detection, and others.

#### Government Initiatives Acting as a Catalyst

Government policies in Japan have a high impact on domestic and foreign retailers. The prevailing debt financing practices influence domestic retailers, whereas legislation proposed to support them affects foreign competitors. The major foreign retailers that are performing well in Japan are Walmart, H&M, KFC, Zara, McDonald's, and Domino's.

It includes mobile payments, especially through the use of QR code-enabled smartphones, and the ecosystem is continuing to take shape. Cashless initiatives are finally starting to gain a solid pace in the country due to the development of biometrics infrastructure, mostly government-funded, and expansion in the use of EMV-based contactless payments, which enjoys the company-naming privilege as NFC Pay in Japan. These elements are driving the growth in the adoption of POS terminals in the country.

The Japanese government's Cashless Vision initiative played a very significant role in popularizing all modes of paying without cash throughout the country. This is supposed to increase the share to 40% by 2025 and, for that matter, up to 80% in the long term. This ambitious plan is part of a greater strategy to modernize the economy and make transactions more efficient. In 2019, rebates and points were given to consumers for making purchases with digital payment methods as part of a government incentive program that doled out rewards for cashless transactions, greatly increasing adoption.

For example, in 2023, according to the data given by METI, this ratio of cashless payments against the total amount paid by consumers became 39.3%. It is further growth in the direction of the government's goal-40% in 2025. Besides that, serious steps to promote cashless payments were made by METI such as public awareness campaigns and support for small and medium-sized

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enterprises in the adoption of cashless payment systems were introduced.

#### Central Region Dominates POS Payment Market Share

Major cities like Tokyo, Osaka, and Nagoya are trending in POS payments owing to key drivers. These metropolitan cities enjoy the presence of well-developed infrastructure, a high population density, and tech-savvy consumers. This, in turn, encourages the wide usage of advanced payment technologies. Moreover, technological advances also add fuel to the trend. Mobile wallets and contactless systems surge among city urbanities. Convenience and security are accorded by these technologies; thus, they easily attract urban residents who wish to make quick and efficient payments.

Overall, Tokyo and other major cities stand at the forefront of Japan's POS payment market. This leadership is supported by a combination of supportive government policies, cutting-edge technology, and urban consumer behavior that favors cashless transactions, setting a clear contrast with the more cash-dependent rural areas.

For instance, in August 2024, JR East Japan will resume issuing name-type Suica IC cards in Autumn, following a temporary suspension due to semiconductor shortages. These IC cards, which facilitate electronic payments for fares and shopping, offer a notable advantage in central Japan, particularly around Tokyo. In Greater Tokyo, using an IC card can often be cheaper than a paper ticket, as fares are rounded to the nearest USD 0.070 (JPY 10) for paper tickets but not for IC card transactions. JR East Japan will announce the exact sales start date once the inventory issues are resolved.

In contrast, rural areas in Japan experience slower adoption of POS payments. This lag is attributed to lower population density, fewer technological developments, and a cultural preference for cash transactions, which remains strong in less populated regions.

#### Future Market Scenario (FY2025 – FY2032F)

□□The accelerating transition toward digital payments and the cashless economy are driving the growth of the POS payments market.

□□POS payments will adapt to different form factors to meet the needs of various customer segments.

□□The duality of growth of retail and e-commerce coexist and complement each other, leading to the growth of the POS payment market.

□□Governments have made policies that try to limit the use of hard cash within economic borders. POS machines can help ensure business enterprises can comfortably make and receive electronic payments, as opposed to cash-based sales or purchases.

The POS payment market in Japan is characterized by intense competition and continuous innovation. Companies are striving to outperform each other through competitive pricing, value-added services, superior customer experience, and robust security measures, including advanced fraud prevention and AI integration. The market is highly competitive but fragmented, with domestic and international players actively seeking to capture market share. Major players are investing heavily in research and development to launch advanced POS products and often form strategic partnerships with financial institutions and tech companies to broaden their market presence and enhance offerings. The positive market outlook is driven by growing demand for automation, AI, and sophisticated customer analysis.

In August 2024, Stinker Stores, a convenience chain operating in Idaho, Wyoming, and Colorado, selected NCR Voyix to implement the NCR Voyix Commerce Platform using Edge infrastructure to enhance its store technology. This virtualization enables Stinker to utilize the latest software on existing hardware, resulting in significant savings of 60% in POS hardware costs and 80% in back-office technology expenses. The modernization aims to streamline operations and improve overall efficiency in the stores.

In February 2024, Ingenico Co. announced its partnership with Anycover, a Singapore-based Insurtech startup, in providing embedded insurance to in-store POS terminals. It is a process that incorporates insurance products into a non-insurance transaction platform, hence providing significant access and the ability of the consumer to access it. In this model, insurance coverage comes as part of the buying process during the point of sale.

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