

Japan Neobanking Market Assessment, By Account Type [Savings Account, Business Account], By Application [Enterprises, Personal, Others], By Service [Mobile Banking, Payments and Money Transfers, Checking/Savings Account, Loans and Insurance, Investments, Others], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

Japan neobanking market is projected to witness a CAGR of 20.09% during the forecast period FY2025-FY2032, growing from USD 7.26 billion in FY2024 to USD 31.40 billion in FY2032. The market is witnessing significant growth due to multifaceted demand by consumers for modern financial solutions. Growing smartphone adoption and increased digital banking have significantly affected consumer behavior, shifting consumer preferences toward convenient and affordable banking. Advanced technologies, such as AI and blockchain, allow neobanks to offer innovative and safe financial products that improve customer experience. Support from regulatory frameworks and initiatives from the government creates a facilitating environment for fintech innovations. Neobanks can keep their operational costs lower than their traditional peers, which enables them to offer competitive pricing and expand financial inclusions among the underserved segments of the population. Consequently, these factors have made Japan neobanking market, vibrant and one of the fastest growing.

Neobanks offer rapid opening of accounts, making real-time transactions, and ensuring comfort for customers from their homes. In 2024, Wise is a global technology company licensed as a Type 1 Funds Transfer Service Provider in Japan, one of the very first international financial service providers. This license will be able to extend the transaction limit previously standing at JPY 1 million via Wise Payments Japan K.K.

Surge in Adoption of Digital Banking to Boost Market Growth

Increased digital banking adoption will provide a massive boost to the neobanking market in Japan. Digital transactions have become fast, catching up with the trend of convenience among customers, which will further give an upward drive to the market. Japanese customers have turned more affectionate toward smartphones and other digital means to access their banks, and neobanks, successfully capitalizing on this phenomenon by offering user and app-friendly platforms. This growth in digital banking

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reflects the broader trend of online and mobile financial services and underlines the attractiveness of neobanks' cost-friendly and innovative proposals. Enhanced digital experiences, along with fintech advancements, attract consumers from traditional institutions to the flexible and accessible solutions provided by neobanks. Therefore, neobanking in Japan will increase due to the accelerated need for digital banking and will change the financial scenario, encouraging further innovations. In June 2024, TransferGo extended its partnership with Visa, the world's leader in digital payments, to ramp up efforts for seamless cross-border payments while encouraging financial inclusion across Central Asia, the Caucasus, and Moldova.

Fusion of Advanced Technologies to Boost the Market Growth

The integration of several advanced technologies is driving the growth of Japan neobanking market, with a complete change in the delivery and experience of financial services. AI is a key lever in enhancing customer engagement; through chatbots and virtual personal assistants, there can be instant support and personalized advice. This allows AI-driven predictive analytics to be applied by neobanks, moving a step closer to reality in the tailored offering of financial products and anticipating customer needs with greater precision. It contributes to the sector by offering safe, transparent, and tamper-proof transactions that instill trust and reduce fraud risks. This technology can enable decentralized applications in DeFi capable of providing a range of innovative financial services beyond the bounds of traditional banking models. In October 2023, au Jibun Bank implemented Authlete to build OAuth 2.0 authorization capabilities for its APIs, enabling secure access for business partners.

Big data analytics further powers neobanking by offering deep insights into customer behavior and preference. It enables neobanks to continuously adapt their offerings in developing personalized financial solutions, improving the overall user experience. With such technologies, neobanks can normalize operations and bring down costs, thus enabling scalability. All this makes neobanks increasingly appealing to tech-savvy consumers in Japan. This technological synergy is transforming the financial landscape and positioning neobanks as key players in the future of banking in Japan.

Business Account to Dominate the Japan Neobanking Market

Business accounts are poised to drive the growth of the neobanking market in Japan as demand rises for smooth and seamless financial solutions by its SME and startup segments. Neobanks will be well-positioned to meet the most complex needs of businesses through targeted financial products that include real-time expense management, integrated invoicing, and automated accounting services. These digital-first solutions provide businesses with greater flexibility, lower fees, and enhanced transparency compared to traditional banking methods. However, the growth in digital transformation within Japan's business ecosystem raises neobanks' appeal, as companies look to leverage new technologies to create operational efficiencies and cost savings. This is where neobanks are expected to continue taking business away from the business banking segment due to growth and become indispensable partners for modern enterprises in Japan's changed financial scenario.

Savings accounts will be a key phenomenon in neobanking, in response to the growth in demand for more accessible and yield-enhancing financial products by Japan's tech-savvy consumers. Neobanks are uniquely positioned to offer competitive savings account rates with lower fees and, eventually, seamless digital management. The included features in this account usually comprise automated savings plans, goal-setting tools, and real-time notifications, allowing user engagement and better management of one's finances.

Kanto to Dominate Japan's Neobanking Market Share

Kanto, which encompasses Tokyo and its surrounding environments, is the most dominant force in Japan's neo-banking market because of its unmatched economic and technological advantages. As the country's financial capital, the region has an incredible concentration of businesses, startups, and technology-savvy consumers that provide a high demand for online banking solutions. Advanced infrastructure in the region makes the pace of technological adoption. There is high-speed access to the internet almost everywhere to support seamless online banking experiences. Several financial institutions and fintech firms create a competitive atmosphere in Kanto, speeding the innovation and development of services. In April 2024, Rakuten Group will merge its fintech businesses into one group, aiming to reinforce collaboration and the acquisition of customers across online banking and credit cards to securities and insurance. Overall, the progressive attitude and vitality of the economy make a strong ecosystem for neobanks, which are given every opportunity to attract and serve clients in all categories. Thus, economic strength combined with technological infrastructure and innovation makes Kanto a remarkable region in the country.

Future Market Scenario (FY2025 - FY2032F)

- Further innovation will be driven by consumer expectations for seamless user experiences, access via multi-channels, and

integration with other digital services.

-□The potential role that Japanese neobanks could play within the financial system is huge, as the country digitalizes. They can offer innovative, customized banking solutions made possible by emerging technologies such as artificial intelligence, machine learning, and blockchain.

-□With increased consumer consumption of digital banking services, digital financial literacy will continue to grow, as will the embedment of neobanks in daily financial management.

Key Players Landscape and Outlook

Neobanking markets have become a field of vivid competition among newly created fintech startups, traditional financial institutions, and international players who are trying to win leading positions in the swiftly changing environment. In turn, emerging fintech startups create a competitive environment with innovative, technology-driven solutions, and user-friendly interfaces, offering special financial products needed for the niche segments of users and fostering digital-first experiences. Simultaneously, traditional banks take part in neobanking through digital platforms or strategic partnerships by using their wide consumer bases and regulatory experience. International neobanks add another layer of competitiveness with global best practices and advanced technologies to the market. In this competition, success will depend on technological innovation, superior customer experiences, and effective handling of regulatory requirements as players try to differentiate themselves and increase their market share.

In December 2023, Blackstone announced that its Private Equity funds have entered into a definitive agreement to acquire from Sony Bank a majority stake in Sony Payment Services Inc., one of Japan's largest payment service providers. Under the terms of the agreement, Sony Bank would retain a minority interest in the company and continue to support the future growth of SPSV. This transaction represents Blackstone's first investment in the financial technology sector of Japan.

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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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