

Japan Digital Currency Market Assessment, By Type [Central Bank Digital Currencies, Cryptocurrencies, Virtual Currency] By Offering [Hardware, Software], By Applications [Enterprise, Government, Personal], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

Japan digital currency market is projected to witness a CAGR of 16.44% during the forecast period FY2025-FY2032F, growing from USD 618.75 million in FY2024 to USD 2090.90 million in FY2032.

Japan's digital currency market is growing rapidly due to government support regulations, a wide range of blockchain technology, and a combination of the population familiar with the technology. Japan is one of the first countries to officially recognize cryptocurrency as a legal payment method through the 2017 Payment Service Law, creating a safe and regulated environment for companies and investors. The clarity of this regulation attracted both internal and international players and contributed to the survival and trust of the market. In addition, Japanese FinTech Influencer in Japan has accelerated the integration of digital currency into everyday transactions in combination with a global financial centre. Major companies, including financial institutions, have embraced blockchain technology for its efficiency and transparency, driving further adoption. The Japanese population, known for its affinity for technology, has shown significant interest in cryptocurrencies as an alternative investment and payment method. Moreover, initiatives such as the Bank of Japan's exploration of a digital yen have bolstered confidence in digital assets. The country's commitment to security, as seen in its strict exchange licensing requirements, has also helped restore trust after past incidents such as the Mt. Gox hack. These factors collectively position Japan as a global leader in the digital currency ecosystem, fostering sustained growth and innovation.

In June 2024, bitFlyer Holdings, Inc. announced that it had agreed to acquire 100% of the share capital of FTX Japan K.K. from FTX Japan Holdings K.K. This transaction, involving a transfer of shares, is subject to approval by the United States Bankruptcy Court due to FTX Japan's bankruptcy proceedings. Bitflyer Holdings will receive complete possession of the FTX Japan. This strategic step is expected to strengthen the position of the Bitflyer market, expand its maintenance offers, and promote innovation in the

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Japanese market for digital frames by increasing the variety of services and security for users.

Supportive Regulatory Framework Fuel the Digital Currency Market Growth

Japan's supportive regulatory framework has been instrumental in the growth of its digital currency market by fostering trust, security, and innovation. The Payment Services Act of 2017, which recognized cryptocurrencies as legal payment methods, created a transparent legal foundation for the market. Strict licensing requirements for cryptocurrency exchanges ensure compliance with anti-money laundering and know-your-customer policies, enhancing security and investor confidence. This regulatory clarity has attracted global and domestic companies to operate in Japan, boosting competition and innovation. The framework also includes regular audits and consumer protection measures, minimizing user risks. By establishing clear guidelines while encouraging innovation, the Japanese government has created a stable environment for businesses and investors, positioning the country as a global leader in the cryptocurrency and blockchain ecosystem.

In August 2024, OASYS Cybernetics Pvt. Ltd. formed a strategic partnership and secured funding from SBI Holdings, Inc. with the aim of increasing liquidity for OAS tokens and strengthening the Oasys ecosystem. This collaboration, which involves several major gaming companies, will support the success of blockchain games and improve synergy between game content and tokens on the blockchain. By leveraging the expertise and resources of the SBI Group, Oasys is well positioned to drive growth and innovation in Japan's digital currency market and expand use cases for blockchain technology.

Widespread Adoption of Blockchain Technology Drive Market Growth

A wide range of blockchain technologies has contributed to the growth of the Japanese digital currency market and to innovation, effectiveness, and trust in various industries. The distributed and transparent nature of blockchain has become a valuable tool for sectors such as finance, games, supply chains, and real estate. Japanese financial institutions use blockchain to enhance trading efficiency, reduce costs, improve security, and increase trust in cryptocurrency. In addition, blockchain-based games and NFT platforms have gained popularity and have introduced digital currencies to more viewers. The integration of this technology into supply chain management has also highlighted its practical benefits and increased its credibility. This growing use of blockchain has standardized digital currency as a trusted tool for business and investment, spurring further adoption and facilitating overall market expansion in Japan.

In August 2024, DMM Bitcoin Co., Ltd. partnership with Progmatic Inc. to launch a stablecoin under Japan's regulations is poised to boost Japan's digital currency market by providing a stable and reliable digital asset for transactions within the Seamoon Protocol. This initiative will enhance financial stability, encourage wider adoption of digital currencies, and support the growth of Japan's Web3 ecosystem.

Central Bank Digital Currency to Dominate Market Share

The digital currencies of the Central Bank emerged as a dominant force in the digital currency market in Japan due to the government's initiatives and regulatory support. The Bank of Japan has actively managed the digital yen to modernize the financial system, improve the efficiency of cross-border payment, and reduce dependence on private cryptocurrencies. CBDCs emphasize security, stability, and seamless integration with existing banking infrastructure, earning the trust of businesses and consumers. Japan's advanced technology ecosystem and goal of creating a regulated environment for digital payments position CBDC as a key part of the country's future monetary strategy.

In September 2023, Sinohope Technology Holdings Limited announced its intention to acquire Avenir Asset Holding, which owns 84.62% of Japan-based cryptocurrency exchange BitTrade, for USD 30.46 million. This strategic acquisition will significantly expand Sinohope's influence in the crypto market, providing substantial control over BitTrade and enhancing its market reach. By integrating Avenir Asset Holding, Sinohope will benefit from increased operational synergies, advanced technological capabilities, and a stronger foothold in the Asian cryptocurrency market, which will drive the growth of Japan's digital currency ecosystem.

East Japan Dominates Digital Currency Market Share

East Japan dominates the digital currency market in Japan owing to its status as the country's economic and technological hub. Cities like Tokyo and Yokohama serve as epicenters of innovation, hosting major cryptocurrency exchanges, blockchain startups, and financial institutions that are driving the adoption of digital assets. Many developed regional infrastructures and high concentrations have contributed to the development of the environment for the use of cryptocurrency and blockchain. Eastern Japan is also an aggressive regulatory and politician, creating an advantageous legal framework and promoting the introduction of digital currencies while maintaining investors' protection. In addition, the presence of global enterprises and advanced ecosystem

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fintech attracts significant investments in blockchain technology. In combination with its role, Eastern Japan continues to train the country's digital currency market and establish trends throughout the country.

In August 2024, GMO-Z.COMTRUST COMPANY, Inc. listed Japanese Yen and US Dollar stablecoins on the cryptocurrency exchange. This integration uses a star blockchain for economic, fast and safe transactions, optimizing the conversion process between the Fiat and the stables. The two stables are fully supported and regulated by the New York Ministry of Financial Services, guaranteeing reliability and compliance. This development enhances trading capabilities by providing users with a secure entry point to interact with digital assets, thereby fostering growth and innovation in the Japanese digital currency market.

Future Market Scenario (FY2025 – FY2032F)

- The Bank of Japan's digital yen could become a dominant payment method, enhancing cross-border transactions and reducing reliance on private cryptocurrencies.
- Increased collaboration between digital currency companies and traditional financial institutions, leading to hybrid solutions like blockchain-based payment systems.
- Growing interest in NFTs and blockchain gaming could diversify revenue streams and attract new users to the digital currency market.
- Japanese digital currency companies may expand globally to mitigate domestic market saturation and tap into international opportunities.

Key Players Landscape and Outlook

Japanese digital currency companies adopt various strategies to stay competitive in a rapidly evolving market. They are investing heavily in compliance and regulatory adjustments to adhere to the country's strict legal framework, thereby ensuring investor confidence and long-term stability. Many companies have improved safety measures, such as preventing cyber lines, introducing portfolios with several signatures, and expanding encryption. To attract a wider user base, companies have introduced innovative services such as cryptocurrency loans, rates, and distracted finance platforms. They also cooperate with conventional financial institutions to develop hybrid decisions, such as blockchain -based calculations that combine conventional finances and digital currency. In addition, many companies are focusing on teaching users through seminars and webinars to remove the use of cryptocurrency. Diversification into new trends such as non-fungible tokens (NFTs), blockchain gaming, and metaverse projects is gaining momentum to capitalize on niche markets. Some companies are considering collaboration on central bank digital currency (CBDC) to align with government initiatives, while others are expanding globally to mitigate domestic market saturation. Japanese digital currency companies are preparing to thrive in a competitive and dynamic environment by prioritizing innovation, compliance, and customer service.

In November 2024, Bitbank launched its global investment subsidiary, Bitbank Ventures, which will focus on new and emerging blockchain projects in Japan and overseas. This initiative aims to strengthen the Japanese crypto industry by supporting innovative solutions blending cryptocurrency and AI. With its main office in Shinagawa, Tokyo, Bitbank Ventures will leverage its expertise and partnerships to drive growth and elevate the crypto asset business in Japan, further supported by Japan's Financial Services Agency's plans to review cryptocurrency regulations, potentially leading to lower tax rates and increased domestic investments.

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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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