

FinTech in Japan

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IISE

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Overview of FinTech market in Japan

The number of FinTech companies in Japan

- There are no statistics; 72 FinTech companies are members of The FinTech Association Japan. (46 in August 2016)

FinTech Investment in Japan.

- According to Accenture, \$154 million by value was invested in Japan during 2016. More than doubled from \$63million in 2015
- China is biggest investor country, having overtaken North America (9.2Bn) and Europe (2.4Bn).

APAC FinTech Investment Activity (2016, \$M)

Country	China & Hong Kong	India	Austraria & New Zealand	Japan	Singapore	Rest of Asia
Investment (million)	10,216	500	156	154	63	80

Source : Accenture <https://newsroom.accenture.com/news/blockbuster-deals-in-china-make-asia-pacific-the-leader-in-global-fintech-investments-accenture-analysis-finds.htm>

According to Ministry of Internal Affairs, utilization of FinTech services is generally low.

Investment and overseas remittance are not daily activities for ordinary people in Japan.

Payment / remittance

	Japan	China	USA
Recognize the services	73.0%	97.4%	88.8%
Want to use the services	46.7%	91.6%	57.9%
Already used the services	30.0%	83.5%	47.0%

Wealth management

	Japan	China	USA
Recognize the services	58.2%	90.9%	70.3%
Want to use the services	31.4%	74.9%	45.9%
Already used the services	9.8%	42.1%	25.8%

lending

	Japan	China	USA
Recognize the services	53.3%	86.6%	82.1%
Want to use the services	24.9%	61.5%	47.7%
Already used the services	6.1%	30.3%	33.2%

Source: "Study Report on an International Analysis of User Perceptions of New Forms of ICT in the IoT Era," MIC (2016)

Major FinTech companies in Japan

Sector	Major FinTech Companies
Payments	Coiney, kyash, Link Processing, Liquid, paidy, PAY.JP, ROYAL GATE, SPIKE
Remittance	Bankur
Crowd funding	A-port, CAMP FIRE, Crowd Bank, first flight, GREEN FUNDING, JAPANGIVING, kibidango, Makuake, Readyfor,
Lending / social lending	Crowd bank, Green Infra Lending, Lucky Bank, maneo, SBI social lending
PFM	Dr.Wallet, MoneyForward, Moneytree, zaim
Financial information	NOWCAST, OFFICE LIFE, SPEEDA, ZUU online
Investment, asset management	Anomaly Search, Capitalico, FP Cafe, One Tap BUY, Okane no Design, WEALTHNAVI
Management support Business support	A-SaaS, board, Crowdcast, freee, MakeLeaps, MerryBiz, MF cloud, Misoca, SHARES, SmileWorks, STREAMED
Insurance	DriveOn
Bitcoin, Blockchain, Virtual currency	bitFlyer, BTCBOX, coincheck, mijin, Orb, Tech bureau
Security	BankGuard, capy,

FinTech Ventures in Payment sector

- Coiney, Royal Gate, Link Processing, Flight provide card payment services for mostly SMBs and small shops.
- LINE (major SNS service provider) bought “WebPay” to strengthen LINE Pay service.



Coiney / card reader

Source : <https://coiney.com/terminal/>



Royal gate / card reader

Source : <http://www.paygate.ne.jp/>



Link Processing / card reader

Source : <https://www.linkprocessing.co.jp/>

Electronic money 1

- Electronic money for consumers are served by IC cards and smartphone apps. These are supplied by transport operators, retailers, and specialized vendors.
- Transport operators' offerings include JR East's "SUICA", JR West's "ICOCA", and "PASMO" provided by private railways in and around Tokyo. These IC cards can be used as tickets or passes.
- Retailer offerings include AEON Group's "WAON", and Seven & i Holdings "nanaco"
- Number of transactions using IC card-type electronic money in 2016 was 5,192million, totalling 5.1 trillion yen.
- By the end of 2016 the number of IC cards for electronic money issued was 329 million.
- Numbers of major electronic money: SUICA 63million / Mobile SUICA 4.4 million (march 2017)、WAON 65 million (March 2017), nanaco 54 million (Feb 2017)、ICOCA 12 million (Feb 2016)

Source : bank of Japan, JR east, JR west, AEON, 7&I HLDGS

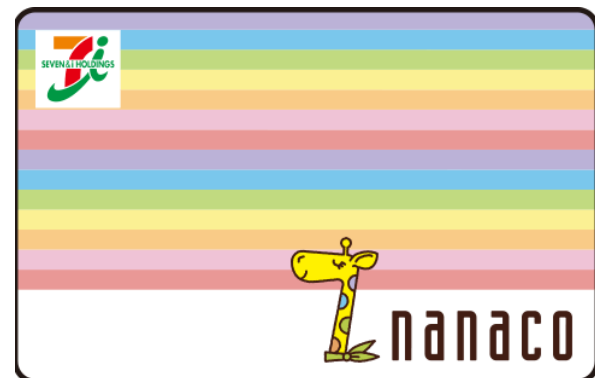
Electronic money 2



SUICA / gate



Mobile SUICA / gate



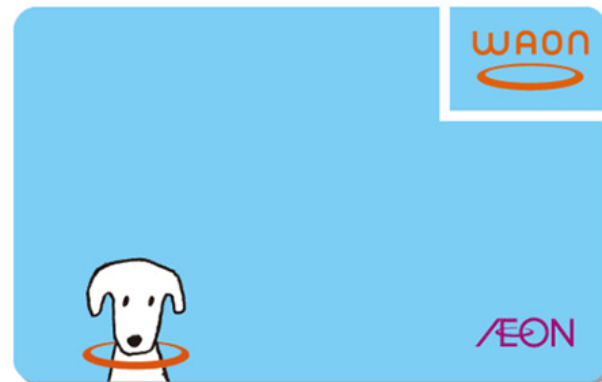
nanaco



SUICA / Taxi



SUICA / Vending Machine



Waoon

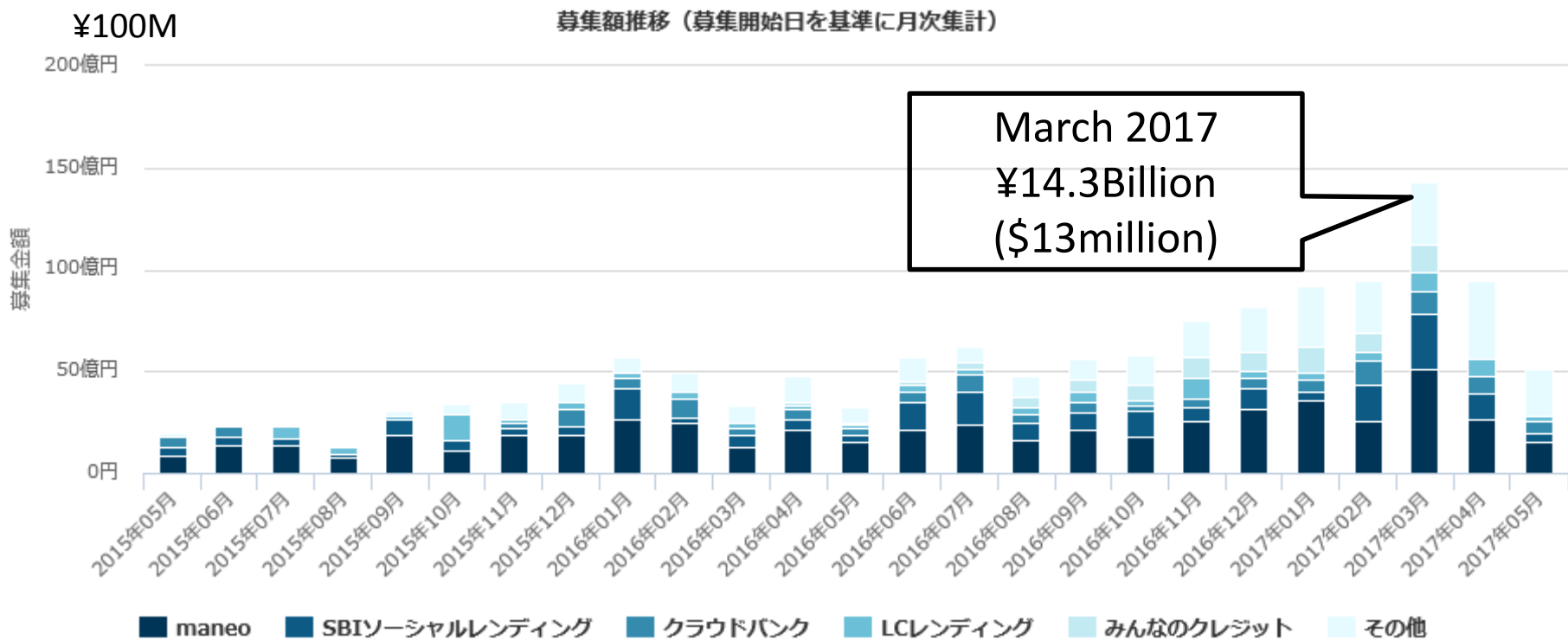
Loyalty programs – “Point cards”

- Points are accumulated by shopping, which can then spent on future shopping. Some point cards are used by multiple member companies.
- T point card: TSUTAYA, Family mart, ENEOS, Yahoo Japan, Gusto participate in this program. 62.8million T card users (April 2017). Operated by CCC.
- Ponta card: Lawson, Showa Sell, GEO, AOKI participate in this program. 70 million Ponta cards users in Japan (May 2015), 10 Million in Indonesia, (July 2016), 1million in Taiwan (May 2015). Operated by Loyalty Marketing (Mitsubishi).
- Rakuten point card: Circle K Sunkus, Mister Donut participate in this program. Operated by Rakuten.
- d Point card: Lawson, MacDonalDs participate in this program. Operated by DOCOMO.

Source : CCC, Loyalty Marketing, Rakuten, DOCOMO

Online Lending 1

“Crowdport” corrects and aggregates market data from 21 companies in Japan. Online lending market is still small in size: 42% of loans are for domestic businesses, 34% are for domestic real estate. Average investment amount per investor is under ¥500,000. Average interest rate is around 8%.



Source : crowdport https://www.crowdport.jp/statistics#market_data

maneo

- Started business in October 2008. Since then, maneo has organized ¥71 billion loans in total and is No.1 vendor in Japan.

SBI social lending

- Subsidiary of SBI Group which is leading internet stock broker. Established in March 2011. ¥26.5 billion loans in total.

Crowd bank

- Started business in December 2013. ¥13.7 billion loans in total.

Lucky Bank

- Started in November 2014. Focuses on real estate loans. ¥9.2 billion in total.

Green Infra Lending

- Focuses on renewable energy projects. Started business in September 2016. ¥4.3 billion loans in total.

Source : crowdport https://www.crowdport.jp/company/list?sort_order=desc&sort_target=accumulated_funding_completed, website of each companies

Services provided by independent companies

- Wealth Navi: Develop Partnership with SBI Group. Over 14,000 accounts. Total assets of 7.5 billion yen under custody in March 2017. Commission rate is 1% of assets.
- Okane no Design: The number of 「THEO」 trial users surpassed 260,000 in March 2017. Paid users reached 10,000.

Services provided by securities companies, banks & asset management

- Matsui securities provides service called “Toushin Koubou” .
- Rakuten securities provides “Raku lap”
- Manex securities provides “answer”
- Mizuho bank provides “SMART FOLIO”
- Mitsubishi UFJ Kokusai Asset Management provides “PORTSTAR”
- NOMURA asset management provides “Funds Robo”
- Daiwa asset management provides “FUNDROID”

Source : <http://orekabu.jp/roboadvisor/#ra03>, website of each companies

- **Money forward: provides household account book keeping service. Number of users reached 5 million in April 2017. This company also provides cloud accounting services.**
- **Money tree: provides household account book keeping service and cloud accounting services. Partnership with YAYOI which has No.1 share in cloud accounting services.**
- **Bear tail: provides household account book keeping service “Dr.Wallet”**
- **Zaim: provides household account book keeping service.**

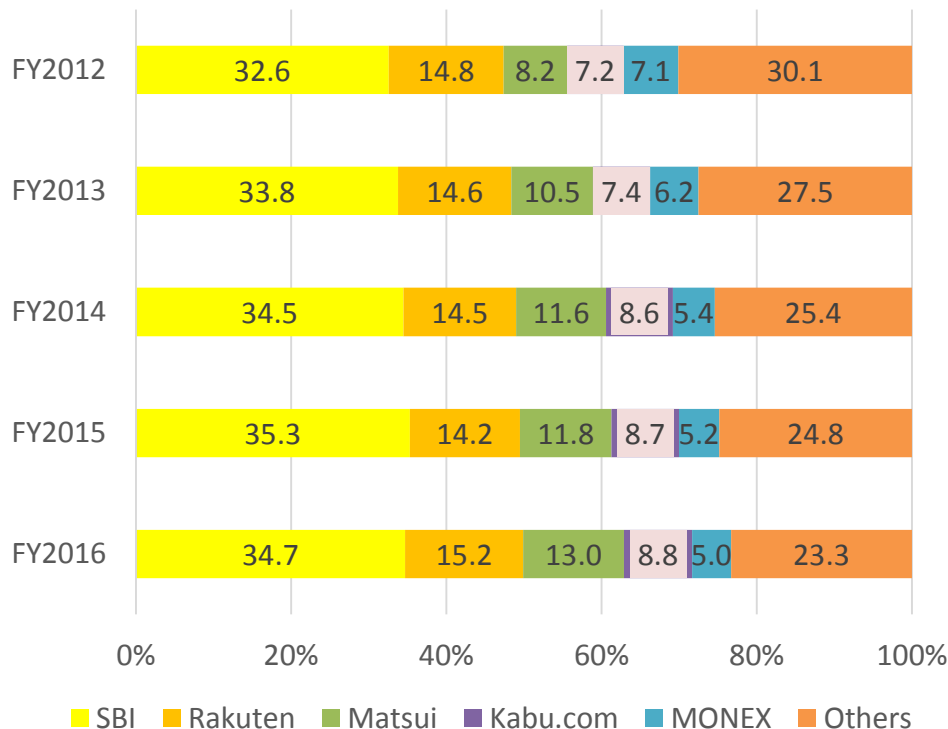
Source :website of each companies

Stock trading of Individual investors

Individual investors in Japan are trading stocks through online brokers. (Big5: SBI, Rakuten, Matsui, Kabu.com, Manex)

Major securities companies such as Nomura, Daiwa, or Mitsubishi UFJ provide online trading services, but cannot gain share.

Share of trading value of individual investors



Number of accounts
(End of March 2017)

	company	(1,000)
1	Nomura	5,363
2	Daiwa	3,886
3	SBI	3,840
4	SMBC	2,801
5	Rakuten	2,250
6	MONEX	1,696
7	Matsui	1,094
8	Kabu.com	1,049

Source : SBI Holdings <http://www.sbigroup.co.jp/investors/library/presentation/pdf/presen170428.pdf>

Use of banking services in Japan

- Account holding rate of Japan Post bank is highest. Internet bank accounts are not popular as main account.
- Level of satisfaction for all banks is 90%. Number of ATMs and branches and usability is important to customers.
- ATMs are used to withdraw cash; bank tellers and convenience stores are used for paying utility bills. Bank ATMs and internet banking are used for remittance.

Individual saving account holding rate
(N = 3400)

	Holding account	Main account
All Bank	91.5%	
Major bank	52.5%	29.5%
Local bank	55.2%	29.3%
Internet Bank	37.4%	5.9%
Japan Post Bank	76.4%	22.8%

frequency of using bank channels (N = 3400)

	Every month	More than once a year	Never
Bank Teller	21.3%	68.0%	10.7%
Bank ATM	71.8%	24.6%	3.8%
Shop ATM	38.1%	26.1%	35.9%
Internet banking	39.0%	22.0%	38.9%
Smartphone banking	6.4%	4.6%	89.0%

Source : https://www.zenginkyo.or.jp/fileadmin/res/news/news280304_4.pdf

Bank of Tokyo–Mitsubishi UFJ

- MUFG DIGITAL Accelerator: Program for 4 months
- FinTech Challenge 2016: Hackathons for which Bank API was provided.
- Introduction of MUFG Coin.
- Open API to Fintech ventures.

Sumitomo Mitsui Banking Corporation

- Established FinTech company jointly with Irish company Daon, to develop biometric technology for smartphones.
- Open API to FinTech ventures.

Mizuho Financial Group

- Hackathons 「Mizuho.Hack」
- Mizuho FinTech Fund
- Establish joint–venture company with Wil in Silicon valley.

NEC

- Set up FinTech business development center in Tokyo.

Hitachi

- Set up FinTech R&D center “Financial Innovation Laboratory” in Santa Clara, California.

Fujitsu

- Set up consortium 「Financial Innovation For Japan」 for meet ups between FinTech companies and Financial institutions.

IBM Japan

- “IBM FinTech program” : Support financial institutions to open their API.
- Incubation program “IBM BlueHub”

NTT Data

- Held open innovation contest, support winning FinTech companies.

SBI Holdings

- Establish “SBI Ripple Asia” with Ripple in USA.
- Launch “30 billion Yen FinTech Fund” with regional banks in 2016.
- Open API to Personal Finance Management ventures: Free / Money Forward in 2016.
- Establish common FinTech platform with Japan IBM for regional banks.

Rakuten

- RAKUTEN BANK (internet bank), Rakuten Securities(online broker).
- Launched \$100million “Rakuten FinTech Fund”.
- Started banking services in Europe in 2016. Lends to SMBs which use Rakuten e-commerce services.

GMO internet group

- GMO payment gateway: Payment processing of credit cards.
- GMO CLICK Securities: online broker

FinTech Association Japan

- Founded in September 2015. As of May 2017, 72 venture members and 153 enterprise members.

FINOVATORS

- Founded in January 2016. It is based in FINOLAB.

BCCC / Blockchain Collaborative Consortium

- Founded in April 2016. Currently 134 companies participate.

JBA / Japan Blockchain Association

- Founded in April 2016. 8 companies are members of virtual currency group, 23 companies are members of Blockchain group.

FINOLAB

- Joint project of Mitsubishi Estate, Dentsu, and ISID. Located in Otemachi. 38 partner companies have moved in.

Abe Cabinet “Japan Revitalization Strategy 2016”

- Promotion of FinTech (creating FinTech ecosystems)
- Utilization of big data (standardizing data obtained through credit card transactions)

Abe Cabinet “Council on Investments for the Future”

- FinTech is selected as one of 5 strategic sectors for government.
- Open API: Aim for over 80 banks to open their API within 3 years.
- Cashless economy: Raise cashless payment ratio to 40% in 10 years.

Liberal Democratic Party of Japan (ruling party)

- Establish the LDP parliamentary FinTech promotion group.
- “Economic structural reform strategy: Strategy 5”
 - Promote Open API, strengthen FinTech Support Desk, set FinTech sand box, build cashless economy.

Source : <http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/dai1en.pdf>, http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/dai2_3en.pdf,
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https://jimin.ncss.nifty.com/pdf/news/policy/134843_1.pdf

Financial Services Agency

- Operate “FinTech Support desk” from December 2015.
- Establishment of “Panel of Experts on FinTech Start-ups” in April 2016.
- Amendments to The Banking Act in May 2016: Easier for banks to invest in finance-related IT companies.
- Amendments to Payment Services Act in May 2016: Regulate crypto currencies. Registration is needed at exchanges of crypto currencies.
- Establish FinTech Cooperation Framework with UK in March 2017.
- Establish FinTech Cooperation Framework with Singapore in March 2017.
- Amendments to The Banking Act in May 2017: a new regulation on the electronic banking settlement agency service. (Support Open API)

Ministry of Economy, Trade and Industry

- Study Group on the Integration of Industry, Finance and IT (FinTech)
- Publish “FinTech Vision” in May 2017.

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