

# Japan's Cashless Vision Is Starting to Come to Fruition

## ARTICLE |

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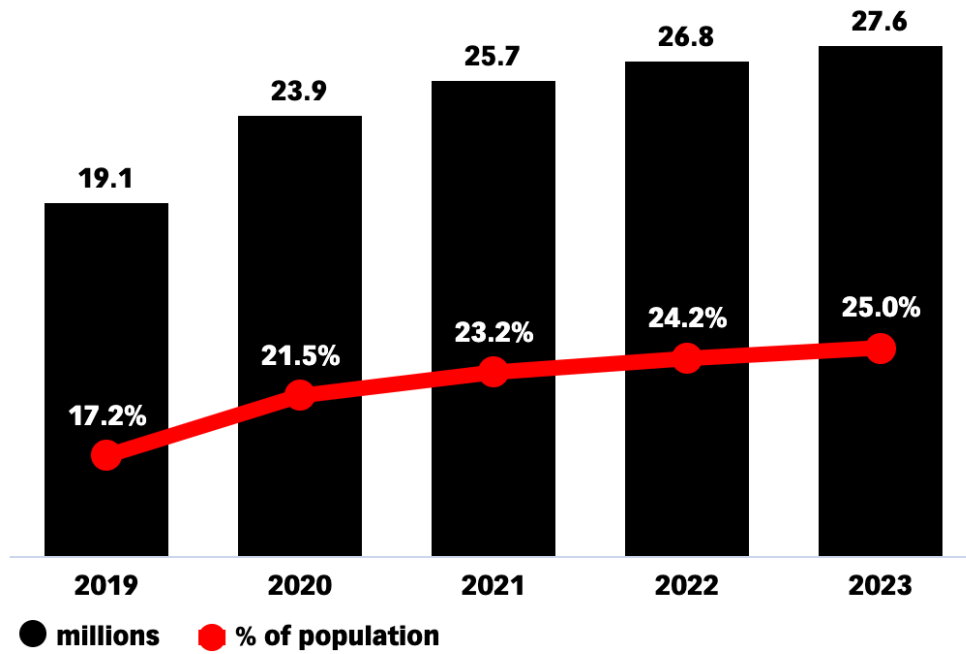
**C**ash has always been king in Japan—and continues to be the primary payment method used. But over the past year, the country has made inroads into becoming more of a cashless society via significant investments in the mobile payments space.

We forecast there will be 23.9 million proximity mobile payment users in Japan this year, making up 21.5% of the country's population. That's a sizable increase from 2019, when 19.1 million people in Japan made a mobile point-of-sale (mPOS) transaction.

By 2023, that figure will grow to 27.6 million, which means that a quarter of the population will have used their device to complete an mPOS transaction.

## Proximity Mobile Payment Users

Japan, 2019-2023



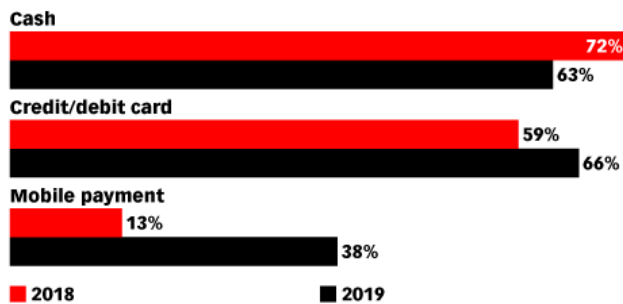
Source: eMarketer, August 2020

www.eMarketer.com

This shift is captured in polling by Line Research published in February 2020. Roughly 38% of smartphone users in Japan surveyed said they used their mobile device to make a payment at a physical store in 2019. That's an increase of 25 percentage points from the year prior.

## Types of Payment Method Used at Physical Stores by Smartphone Users in Japan, 2018 & 2019

% of respondents



Note: ages 15+

Source: Line Research as cited in press release, Feb 19, 2020

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While it certainly seems that many consumers in Japan are becoming more comfortable with transacting this way, there's a lot of room for growth. According to the same Line Research poll, the number of respondents who reported using cash at physical stores decreased by nearly 10 percentage points in 2019 from 2018, but a sizable 62% of respondents said they still used this payment method as of December 2019.

The Japanese government has taken steps to encourage consumers to use mobile payments—like its cashless rebate program, which it rolled out last year. “The rewards program was launched to offset the impact of the consumption tax hike in October 2019,” said Cindy Liu, eMarketer senior forecasting analyst at Insider Intelligence. “Under the program, consumers who used cashless payments at specified outlets could receive cash back or reward points worth up to 5% of the value of those transactions.”

QR code payment systems, including PayPay and Line Pay, are also driving growth.

“Japan is betting big on QR codes as consumer payment preferences begin to change,” Liu said. “QR codes don't require huge investments from vendors, and it is also simple and easy to use for consumers. Look no further than China for evidence of how rapidly QR code payments can catch on.”

This year was supposed to be Japan's big cashless push, with the Summer Olympics and its partnership with Visa aimed at bolstering mobile payment adoption in Tokyo and the rest of the country. Due to the pandemic, however, the games have been postponed to 2021.

“COVID-19 has accelerated the push toward cashless payments as consumers avoid the use of cash and plastic cards,” Liu said. “And with the Olympics pushed back to 2021, we can expect the Japanese government to continue to invest in mobile payment technology as part of its measures to keep the games safe.”