

Japan's Economic Future Depends on Japan Embracing Digital Payments

IS IT TIME FOR KING CASH TO BE DETHRONED?

Japan is ripe for change when it comes to how its people pay for things. Despite being a technologically advanced society, it has a strong legacy of traditional cold, hard cash. Generational change, encouragement from its neighbors and digital transformation are all forcing Japan to transform to become a cashless society.



Japan's Government has an Imperative to Act They are Encouraging the Development of a Cashless Society based on Digital Payments

THERE IS A **LABOR SHORTAGE**



Almost **30%** of the population is **65 years old or older**¹



What's a Cashless Society?

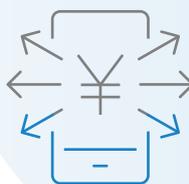
Payment for goods and services is **digital not physical**. Cash-filled wallets will be a thing of the past.

Automation will Maintain and Grow the Economy

A digital payment system is critical to an automated economy

FIRST STEP Establish a Digital Payment System

Japan's Ministry of Economy, Trade and Industry's goal for 2027



40% of all payments will be digital

INCENTIVE

Use any form of cashless payments

Get a discount on the consumption tax



Currently, there is a 10% tax rate in Japan.

GLOBAL INTEROPERABILITY

A pilot test of an **industry QR standard** developed by the Japan Payments Association (JPA) is currently being conducted. After the effectiveness is verified, its interoperability with Chinese QR codes will be studied.



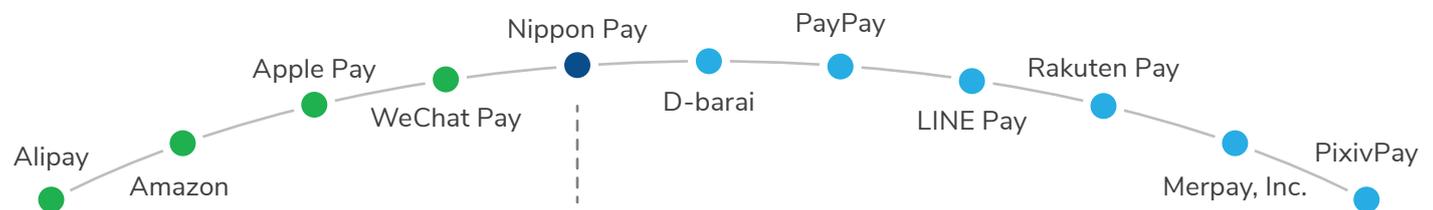
Who Else is Involved in the Transformation?

Big Tech is deeply invested in creating a digital payment system in Japan. Several of the biggest names in the digital payments space are active, but none are dominating the Japanese market—yet.

Foreign Players

Start Ups

Other Players



Compatible with Alipay and Amazon Pay and offers QR code payment in Fukuoka city.

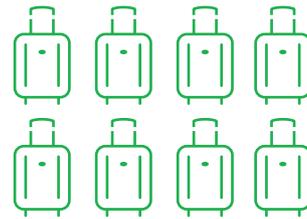
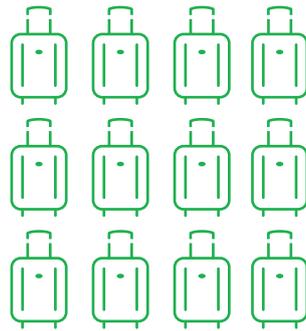
What's the First Big Test for Japan's Transition?

With Japan's economy facing gloomy economic forecasts, tourism and tourist spending represents a growth opportunity.

Tokyo 2020 Summer Olympics

Japan aims to attract **60 million** foreign tourists in 2030

 = 5 million



40 million visitors expected to attend the games²



Local businesses must be able to **support all digital payment methods**

What Happens Next?



Japan at a Crossroad

Japan's dependence on cash is strong. There is an imperative for the country to embrace digital payments and change is on the horizon. Driven by demographic, economic and technological factors, **the Japanese people are beginning to adopt digital payments.**

Ubiquitous **payments infrastructure in place** post-Olympic Games



Application side development to **meet the needs, preferences and behaviour** of the Japanese (especially the elderly)

Catalyst for Becoming a Cashless Society



To learn more, please contact us at info.japan@frost.com

1 World Bank Statistics, <https://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS> Retrieved November 29, 2019.

2 The Straits Times online, "Japan breaks tourism record as it gears up for 2020 Olympics." <https://www.straitstimes.com/asia/east-asia/japan-breaks-tourism-record-as-it-gears-up-for-2020-olympics>. Retrieved November 29, 2019.