

 Footprint Analytics ×  CryptoTimes

# Crypto in Japan

Industry Trends and Future Prospects

June 2023

## Key Takeaways

- Japan has strict regulations in place to maintain stability and security for investors, which can be a challenge for smaller crypto projects.
- Japan's strong foundation in gaming makes it a perfect location for blockchain-based game development.
- Popular crypto games in Japan include My Crypto Heroes, Captain Tsubasa RIVALS, and Crypto Spells. Social app Line has also revealed five "Gamer First" NFT games to be released in 2023.
- The Japanese NFT industry has three characteristics: extensive intellectual property (IP), low FUD, and a tightly knit community that encourages collaboration and synergy.
- Three major Japanese NFT projects are Murakami Flowers, Crypto Ninja Partners, and MetaSamurai.
- STEPN is a project that has successfully entered the Japan market, where timing, localized marketing efforts, and community building enabled the game to resonate with the Japanese market.

## Introduction

Japan is a unique market with huge potential in finance and investment, with a strong retail foreign exchange industry and a thriving stock trading sector.

Initially, the Japanese government was very cautious about the crypto industry due to its early vulnerability to hacking. As a result, they decided to regulate it carefully. Even today, Japan has a limited selection of tokens due to the oversight of the Financial Services Agency.

Even then, Japan approved bitcoin as a legal form of payment in 2017, setting the stage for its meteoric rise in the crypto industry. While the government was initially skeptical of the industry, recent events indicate that the government has become more supportive as Japan's blockchain industry continues to grow.

In April 2023, the ruling Liberal Democratic Party's Web3 project team released a white paper recommending measures to boost the crypto industry, shedding light on the government's increased commitment to the sector. It is also noteworthy that Japan passed the "Revised Payment Service Act" on stablecoins in June 2023, ahead of other Western countries.

On the other hand, due to restrictions such as the inability to directly invest in tokens and the inability to launch projects issuing tokens within Japan, efforts toward DeFi within the country are limited. Hence, NFTs and gaming focused projects are predominantly recognized as the main players of the crypto market in Japan.

This research will primarily focus on the burgeoning NFT and crypto games sectors in Japan, whose growth is partly due to the country's highly developed video games and famous IPs. These have helped the crypto games and NFT sectors to rapidly gain popularity and have immense potential for future growth. By examining successful crypto companies in Japan, we will analyze the strategies that helped them achieve success, as well as explore the challenges they faced and the opportunities that exist in this burgeoning market.

## Crypto Games in Japan

Japan is one of the most active gaming markets in the world. Most people in the world are quite familiar with the Japanese gaming industry due to the popularity of PlayStation and Nintendo. Beyond its traditional gaming market, Japan is also becoming known for its rapidly growing crypto gaming industry.

On top of having a gaming industry with a global reach, Japan is actually also the [most profitable](#) gaming market in the world per user. The Japanese love games and they are willing to pay for them. This means that the Japanese market is particularly lucrative because users are willing to pay for games.

Japan is not only known for its traditional gaming market, but also for its rapidly growing crypto gaming industry.

## The Potential of Blockchain Games in Japan

Crypto games, also known as blockchain games, use blockchain technology and cryptocurrencies to create a more secure and transparent gaming experience.

Here, players can have true ownership of their in-game assets, and all steps, including transactions and exchanges, are recorded on the blockchain. This can create a more transparent and dynamic gaming economy, where players can earn real value for their time and effort spent in the game.

In November 2018, My Crypto Heroes, a crypto-RPG battler, was launched on the Ethereum blockchain, becoming Japan's first "big" homegrown crypto game. It was ranked #1 in the world in terms of trading volume and DAUs after its release. As of January 1, 2023, the total primary sales have reached 16,000 ETH.

Several key players in the Japanese gaming market are actively involved in the crypto space, including top listed mobile players such as Line, which revealed five "Gamer First" NFT games to be released in 2023, and MIXI, which joined Oasys Blockchain as a validator in April this year. There are also several crypto-native companies in Japan, such as Double Jump and CryptoGames.

In conclusion, there are 3 key features of the Japanese crypto game industry:

- Strong foundation: The Japanese game industry has a long and rich history of traditional games, which provides a strong foundation for the development of crypto games using blockchain technology.
- High potential: Japanese gamers are known for their willingness to pay for high-quality games, making the crypto game market in Japan highly lucrative.



- Mobile-focused: Mobile gaming is more popular in Japan than PC or console gaming, which has led many game companies to prioritize the development of mobile games that incorporate cryptocurrency and blockchain technology.

## Overview of Three Popular Games in Japan

In this section, we'll look at three popular crypto games in Japan, as well as their successes and challenges.

### My Crypto Heroes



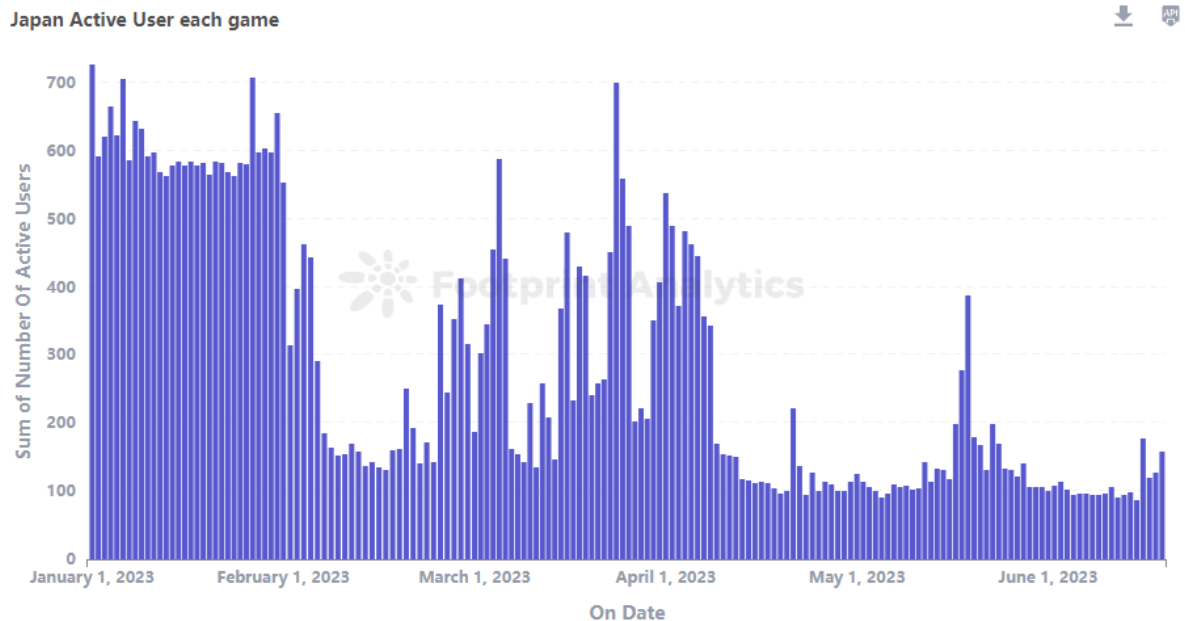
[MCH Verse & My Crypto Heroes 🎮🌴 \(@mycryptoheroes\) / Twitter](#)

"My Crypto Heroes (MCH)" is a Japanese-originated NFT game developed by double jump.tokyo. Utilizing the in-game token named GUM as the cornerstone of its economy, it has achieved one of the world's largest user bases and transaction volumes since its launch in November 2018, yielding actual economic benefits to some players.

The gameplay primarily involves collecting and nurturing historical heroes, and using them in battles in dungeons (referred to as nodes in the game). These heroes and items exist partly as NFTs, which can be traded between players.

From an economic perspective, the following elements constitute the main economic cycle of MCH:

1. **Quests:** Players battle with their heroes and can earn EXP for heroes, materials for crafting, and items (replica extensions) as rewards for victories.
2. **PVP (Player versus Player) Duels:** Players can earn ranking points and items by participating in duels, which can later be traded in the marketplace.
3. **Marketplace:** Players can buy and sell items and heroes they own. These transactions use the in-game currency, GUM.
4. **Land activities:** Players belong to virtual nations called "Lands" and engage in collective activities. Activities within the Land increase the value of the nation, resulting in dividends (GUM).



### [MCH Active User](#)

Based on user metrics provided by Footprint Analytics, while "My Crypto Heroes" has not consistently maintained a high level of active users, it has experienced significant spikes in user activity. Although these spikes may appear unrelated to a steady growth of the user base, after several cycles, the game has managed to attract a cohort of users who engage with it on a consistent basis.

Recently, the development team has expanded beyond their initial game development capabilities and has initiated the "MCH Verse" – a Layer 2 Optimistic Rollup on the gaming-specific Layer 1 blockchain "Oasys". This strategic move leverages the unlimited scalability of the technology to enhance user experience and connectivity within the Verse.

While many mobile crypto games tend to minimize on-chain resource usage, opting to develop as much off-chain as possible to avoid complex on-chain features, MCH continues to lead in the Japanese crypto gaming market. It is swiftly adopting and incorporating ready-to-use technologies to improve the gaming experience.

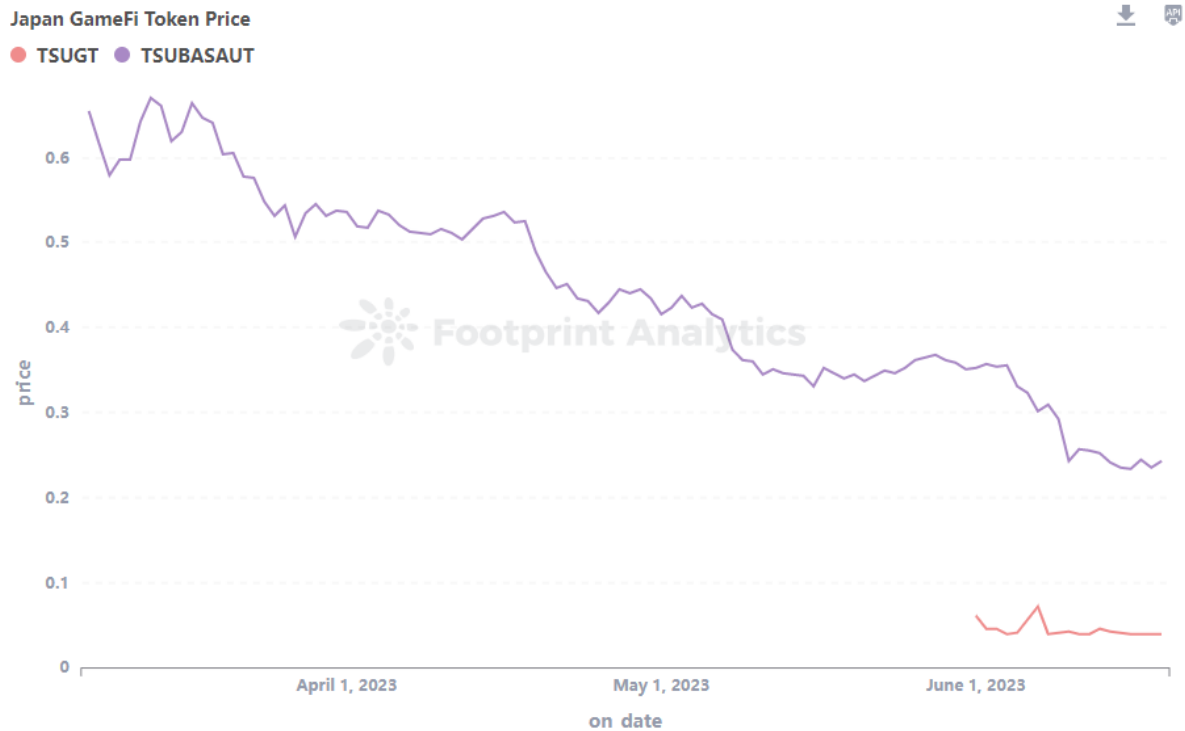
## Captain Tsubasa RIVALS



[キャプテン翼 -RIVALS- \(@TsubasaRivalsJA\) / Twitter](#)

Captain Tsubasa – RIVALS is a crypto-based game inspired by the globally renowned Japanese Anime series “Captain Tsubasa”, which has over 70 million copies in circulation worldwide, and over 70K followers on Twitter globally. Leveraging the long-standing popularity and huge fan base of its anime series, this game combines interesting football-themed game mechanics with unique in-game economy utilizing dual token systems.

There are two types of tokens in Captain Tsubasa – Rivals: TSUBSAUT and TSUGT, which are the utility token and governance token underpinning its game-economy respectively. In a fashion pioneered by Axie Infinity, segregating the reward system and governance system enables the game to take better control of the in-game economy and the actual velocity of the user, effectively limiting the volatility of USD-denominated value of reward.



### [Captain Tsubasa Token Price](#)

However, since the introduction of TSUBASAUT, its value, denominated in dollars, has been in steady decline, potentially due to its unlimited emission and primary use for player profit-taking. The operating company implemented a Balancer system aiming to stabilize the price of TSUBASAUT within a certain range, but there has been little visible impact at time of writing.

This challenge has been observed in other blockchain games like Axie Infinity and STEP.N. It's critical for potential players to understand how "Captain Tsubasa – RIVAL.S" can maintain long-term user liquidity before making a purchase and starting gameplay.

Conversely, the governance token TSUGT has remained stable since its introduction. With a limited supply and in-game utility directly linked to vital gameplay functions like leveling up, its dynamics seem healthier. The team, investors, and advisors hold a total of 37% of the token supply, which will be released after a 12-month cliff, sustaining a natural supply/demand balance until that unlock occurs. This setup is expected to contribute to a stable token ecosystem.

Despite its dual-token powered system though, the game system is quite simple in that each player with 3 different character cards would compare the numbers they have, repeat it 3 rounds, and decide the winner. Players need to be strategic enough in which order they use the numbers.



In fact, the game has received criticism because of its simplicity, as they simply compare the numbers, and users cannot play a game without NFTs.

In spite of its struggles, Captain Tsubasa – Rivals illustrate the potential of IP in Japan and the intersection between NFTs, IPs, and gaming.

## Crypto Spells



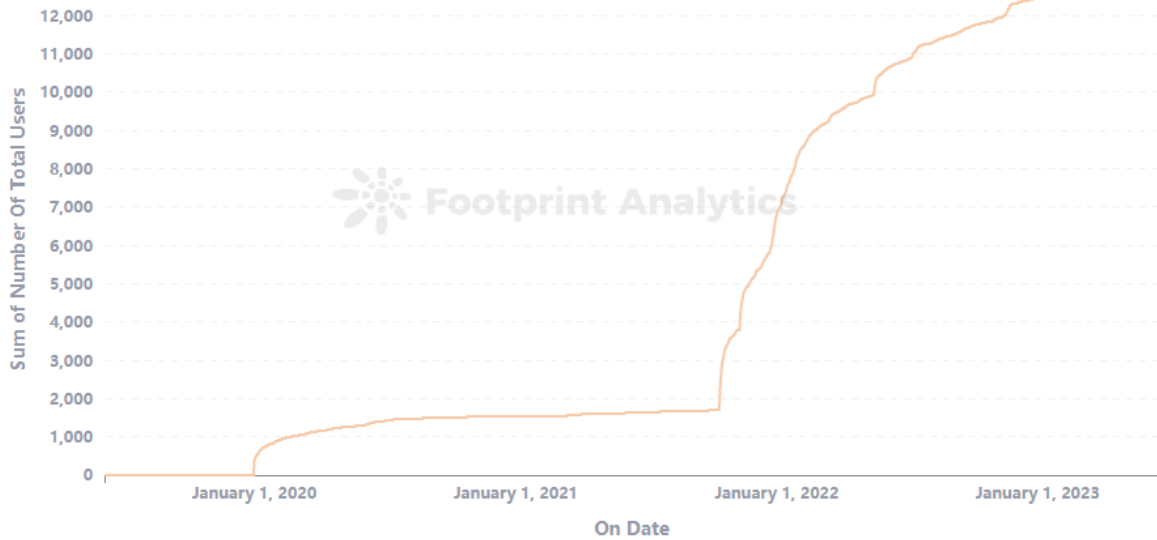
[クリプトスペルズ\(クリスペ\)日本語公式 \(@crypto\\_spells\) / Twitter](#)

Crypto Spells is a longstanding NFT-powered strategic trading card game, introduced in 2019 by Crypto Games. With gameplay closely resembling that of "Hearthstone" and "Gods Unchained", the game offers a low entry barrier for those new to the crypto world, thanks to its in-app wallet feature (iOS, Android).

Crypto Spells employs its Verse L2 system, "TCG Verse (Trading Card Game Verse)", on Oasys L1, similar to "My Crypto Heroes", aiming to expand the crypto-native gaming system. They recently launched a new series, "NFTWars", allowing anyone with a verified NFT collection to create their own playable card. By encompassing a larger NFT holder base and enabling players to earn some OAS (Oasys native token), the ecosystem has the potential to extend beyond Japan and to a global audience.

In Crypto Spells, players engage in duels using decks of 30 cards, with a limit of two copies of the same card per deck. Players also add three skills to their decks, diversifying strategies and increasing competitiveness. By playing, players accumulate battle points which can be used to mint new cards, offering the chance to acquire rare NFT cards.

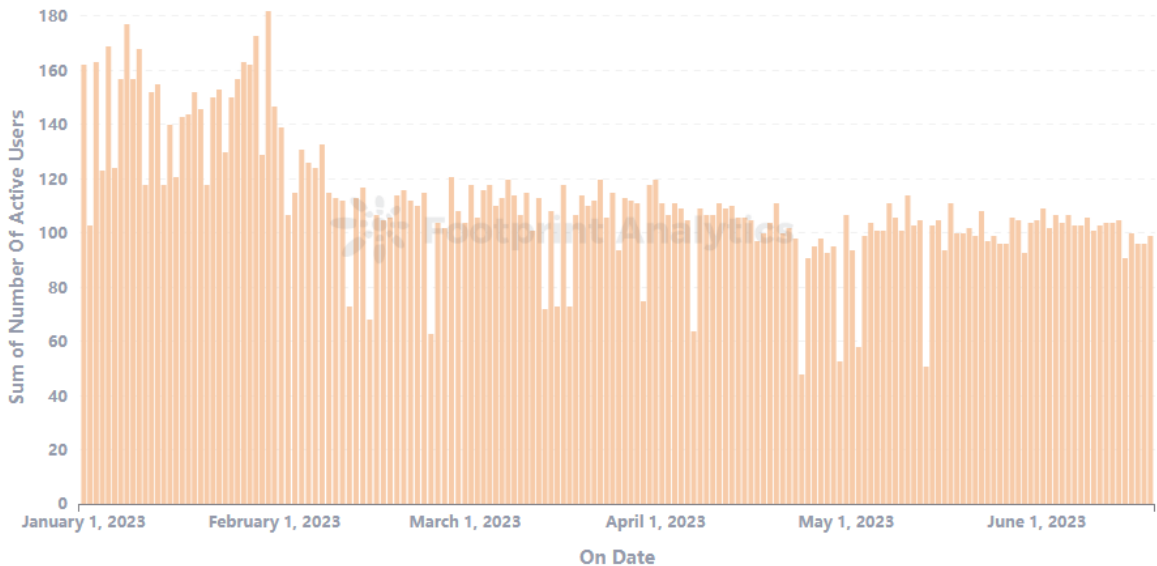
Japan Total User each game



[Crypto Spells Total User](#)

Crypto Spells experienced a significant growth in total user numbers from the fourth quarter of 2021.

Japan Active User each game



[Crypto Spells Active User](#)

However, when looking at active user metrics, the game appears to have struggled in sustaining growth momentum. Despite attracting new users, the growth in active users has been limited. This situation might change as the game starts integrating players more closely into their Verse system, potentially stimulating user engagement and activity.

Fueled by Japan's robust gaming culture foundation, both official and unofficial (community-led) tournaments are regularly held, both offline and online, extending the fan base beyond the crypto community. The game revolves around strategic execution of player skills, positioning Crypto Spells as an ideal gaming-centric ecosystem. Winners will receive rare NFTs, which can be traded on the secondary marketplace.

## NFTs in Japan

On top of its rich and long-standing video game history, Japan also boasts the most IPs in the world. The popularity of Japanese IPs reaches beyond borders, making it a global phenomenon.

For example, popular Japanese anime like Naruto, Dragon Ball, and Attack on Titan have millions of fans worldwide, leading to a thriving industry and solid foundation for digital art.

Because of this, the Japanese NFT community has its own unique aesthetics and preferences that set it apart from other regions of the world.

### The Unique Trajectory of NFTs in Japan

A non-fungible token (NFT) is a digital asset that is unique and cannot be replaced or exchanged for anything else. It is stored on a blockchain, which allows for proof of ownership and authenticity.

Since the beginning of 2018, non-fungible tokens (NFTs) have been a hot topic in the Japanese crypto industry. With the worldwide NFT craze in 2021, they have become increasingly popular and more mainstream.

The evolution of NFTs in Japan has taken a unique trajectory, often independent from global trends. In the realm of collectibles, the market began with collaborations between domestic anime and idols, using existing IP content as a foundation and centering around fan communities. This led to a scenario where Japanese NFTs going global was relatively rare.

However, after the advent of Bored Ape Yacht Club (BAYC), collection-style NFTs gained prominence. Notably, Murakami Flowers became the first project to amass a holder base that extended beyond Japan. Given Murakami's existing global renown through collaborations with luxury brands such as Louis Vuitton and Hublot, and considering his activities weren't limited to Japan, his project served as a catalyst for Japanese NFTs to gain worldwide attention.

The Japanese have a deep love for their culture and artwork, which naturally lends support to local projects. For example, Takashi Murakami creates NFTs that express Japan's culture. This cultural affinity has proven to be a natural source of support for local blockchain projects.

We can also see the increasing number of adoptions in the Japanese local community. The “Furusato Nozei” is a tax system in Japan that allows taxpayers to donate a portion of their taxes to a chosen local municipality, in return for local specialties as a token for appreciation.

Recently, some municipalities have begun offering NFTs along with each different specialty. This approach is specific to Japan, and is fostering the fusion of rural revitalization and digital art, demonstrating a potential that leverages Japan’s unique aesthetics and local resources.

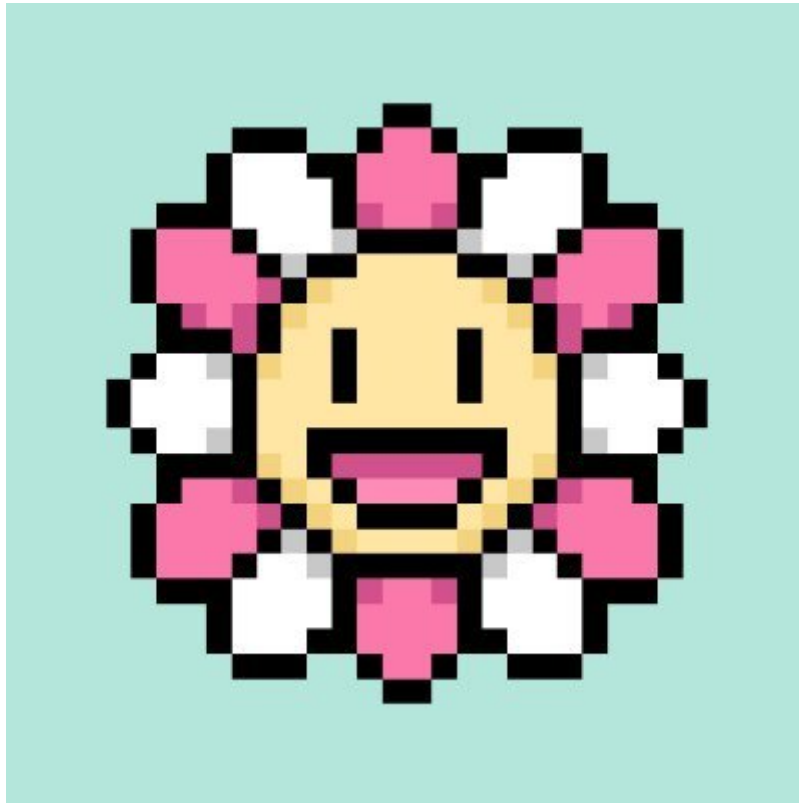
Generally, there are 3 key features of the Japanese NFT industry:

- Rich IP: The Japanese crypto game industry benefits from a wealth of intellectual property, including popular anime, manga, and video game franchises that can be leveraged to create compelling NFTs.
- Low FUD: The Japanese cryptocurrency gaming community has a low rate of FUD, likely due to the culture's tendency to avoid direct criticism and express dissatisfaction. This is particularly evident among NFT beginners and community members with little influence.
- Concentrated community: The Japanese cryptocurrency community is small, which fosters collaboration and common purpose, leading to more effective community building and synergy.



## Overview of Three Popular NFTs in Japan

Murakami Flowers



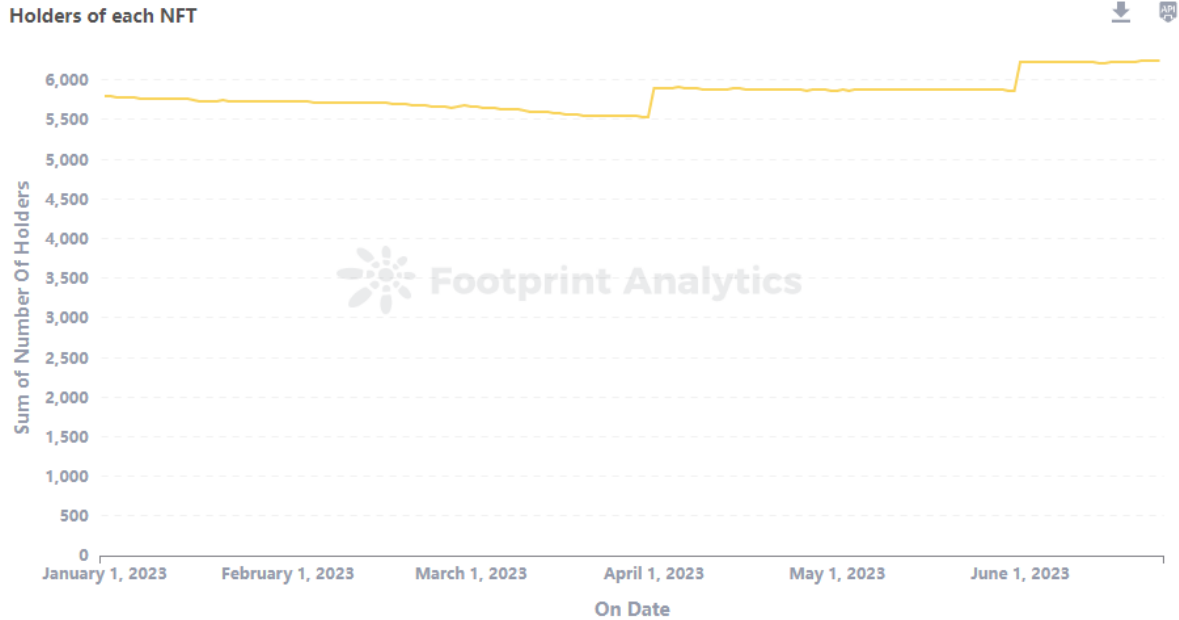
[Murakami.Flowers Official \(@MFTMKKUS\) / Twitter](#)

Takashi Murakami, a professional and legendary artist, has launched the Murakami.Flowers (M.F) project, inspired by his life-long love for painting and creating art. The project itself is structured around the number “108”, symbolizing “Earthy Temptation” in Buddhism, encapsulates his vision for bringing the physical and digital art realms together.

The total number of NFTs in the collection is 11,664 (108\*108). For the distribution, 3,000 whitelists were given to the holders of RTFKT Clone X with “Murakami Drip” trait, along with 500 winners in other events, plus around 4,000 for Murakami himself, with the rest of the 6,751 collections reserved for public sale.

The sale prices have been set at 0.0727 ETH for the whitelist participant, and 0.108 ETH for public sale participants, with purchase limited to one per wallet. The actual sale took place in April 2023, and each participant received a “seed” NFT that would later evolve into a different unique flower.

Data from Footprint Analytics, which provides unique holding address information, shows that Murakami Flower has the largest unique holders.



[Murakami Flower Holders](#)

Despite a steady decline in this number since September 2022, Murakami has been diligently expanding his MF universe through a lot of activity involving himself.

## Murakami.Flowers Official (M.F)

murakamiflowers.kaikaikiki.com Twitter Etherscan ...

☆ On 9 watchlists

M.F Floor Price  
**0.31680 ETH**  
 \$591.32 -7.8%

Market Cap  
**3,202 ETH**  
 \$5,977,094 -7.8%

24h 7d 14d 30d 90d **Max**

Logarithmic **Linear** ≡

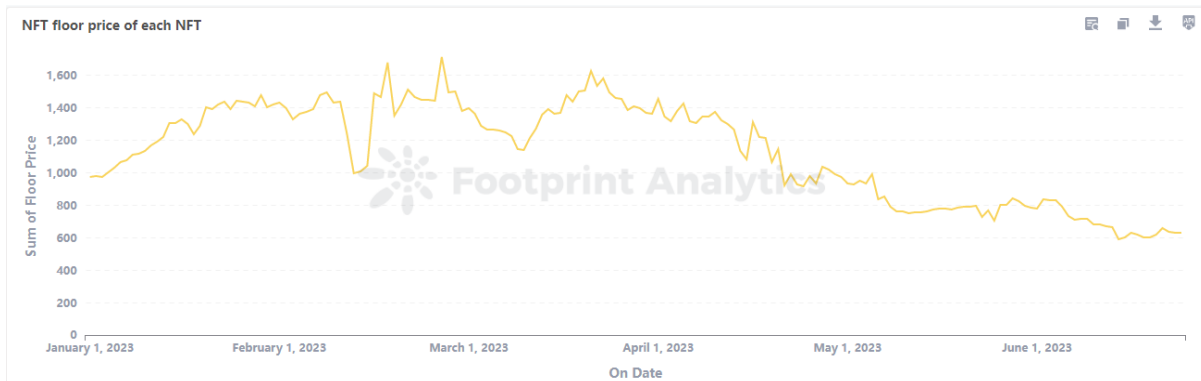
Jul 17, 2022 → Jun 28, 2023



### [Murakami.Flowers Official \(M.F\) Price](#)

Contrary to typical NFT projects, holder airdrops are not limited to NFT sub-collections but also includes plenty of physical merchandise such as original T-Shirt, Tamagocchi-like little game “Flower Go Walk ([LINK](#))”, and MF-based trading card collection ([LINK](#)).

Regarding market activity, the MF collection floor has experienced a consecutive depreciation and is currently being traded around \$600, second to Crypto Ninja Partners (to be introduced next).



### [Murakami Flower Floor Price](#)

The floor price of the collection could be attributed to the actual market participant, and ones with many lucrative opportunities such as allow list allocations would contribute a lot to the actual price being traded. In spite of the declining floor price, given that NFT art is a related sub-system of the larger art realm, it could also be seen that Murakami is trying to bring this project to a whole different direction than the other PFP collections.

### Crypto Ninja Partners



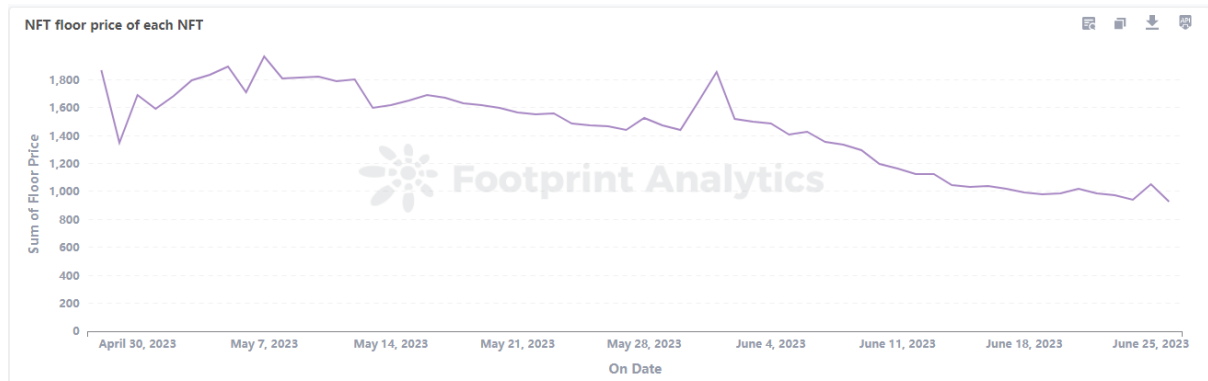
[【公式】CNP\(シーエヌピー\) | CryptoNinja Partners \(@cnp\\_ninjadao\) / Twitter](#)

Crypto Ninja Partners (CNP) is an NFT collection featuring Japanese ninja-themed characters, originally emerging from a community known as NinjaDAO. While not strictly a DAO, NinjaDAO was a community of crypto enthusiasts in Japan. Two central figures propelled the CNP project into a wider audience: Ikehaya, a Twitter-based NFT influencer and web marketer, and Road, another key contributor.

The original mint of the CNP collection occurred in May 2022, with a strikingly low initial price of 0.001 ETH, amounting to a total of 22,222 items. In contrast to typical collections that set their initial sale price around 0.05-0.08 ETH, CNP aimed to be

affordable, enabling those unfamiliar with NFTs to join in and benefit from potential value growth rather than starting with a high price of 0.08 ETH.

This strategy proved successful and instilled confidence in holders, driving the floor price to over 2 ETH, and establishing CNP as one of the successful NFT projects in Japan.



#### [Crypto Ninja Partners \(CNP\) Floor Price](#)

Despite its collection size of 22,222, CNP still ranks second in terms of holder numbers, following the MF collection.

CNP's strategy primarily involved distributing a large number of sub-collection and family collection ALs to CNP holders, launching each with a similar price of 0.001 ETH. In the project's early phase, this strategy effectively stimulated economic bandwidth by offering CNP holders prioritized minting opportunities. However, as the project has grown amid deteriorating market conditions, it appears CNP is struggling to attract a new audience beyond its current base.

From its inception, the founder and community members have promoted the project in various ways, primarily revolving around a few main characters as community IPs. The community is driving CNP's expansion by developing mobile games, holder apps, and more under the CNP brand. In addition to creating derivatives, CNP owners can enjoy exclusive experiences in over 160 affiliated restaurants, hotels, and other locations, thanks to discounts on specific services available in Japan.

The project's strong emphasis on community sets it apart from the other two major NFT projects in Japan, leveraging the country's strength in IP creation.



## MetaSamurai



[1BLOCK STUDIO® \(@1block\\_official\) / Twitter](#)

Presented by the creative group "1BLOCK®", based in Los Angeles and Tokyo, MetaSamurai is a collection of 3,333 unique 3D avatar NFTs. The project aims to establish a brand in digital fashion through the empowerment of creators.

The core concept of the project, "I GOT YOUR BACK", symbolizes the commitment of MetaSamurai to support its owner. This phrase originates from a story where two individuals stood back to back to protect each other in battle. The ethos of samurai, who dedicate their lives to protect their lord, combined with the story of Hachiko, the loyal dog that waited for its deceased master for over a decade, serve as the motifs for the MetaSamurai pieces.

The minting of the original collection took place in June 2022, with a public sale price set at 0.05 ETH.



[MetaSamurai Floor Price](#)

In 2022, its value hovered around the sale price, but in early 2023, the collection began to receive significant appreciation.

Furthermore, collaborations with a host of companies and brands within Japan serve as one of the unique aspects of this project. Numerous collaborations have been realized with well-recognized partners like "Ghost in the Shell", "Ghost in the Shell: Stand Alone Complex", "BEAMS CULTUART", "COACH", "Lupin the Third", and "Atmos x Space Brothers".

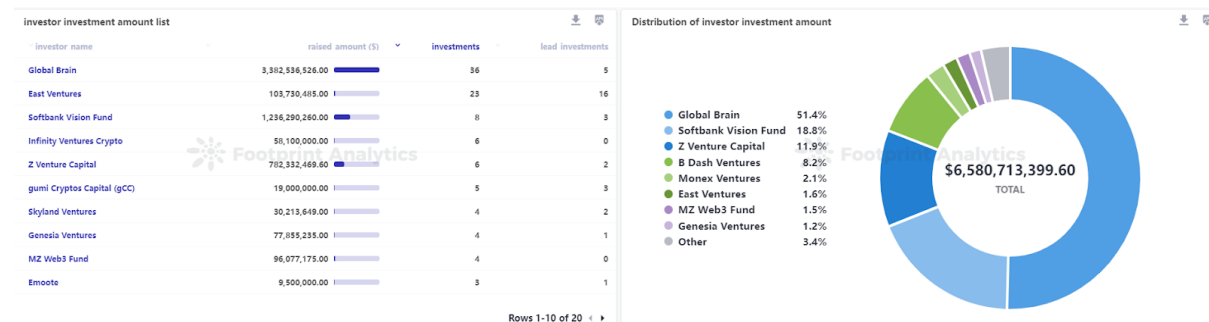


[METASAMURAI by 1BLOCK](#)

1Block positions MetaSamurai not just as an ordinary NFT collection, but as a collection offered by a digital fashion brand. This differentiates it from other projects that launch NFT collections. The upcoming MetaSamurai 2 collection is anticipated to feature wearables that individual MetaSamurais can don, offering a new perspective for fashion brands yet to venture into NFTs to develop original items.

# Funding Ecosystem

Japan may not be known for its active startup culture, but its venture capital industry is strong. However, it's crucial to note that the investment landscape in Japan, specifically in the VC realm, faces unique limitations due to the country's Limited Partnership Act (LP Act). The LP Act currently does not allow investments in tokens, which could potentially hamper the ability of Japanese VCs to participate fully in the crypto and blockchain space.



## Investment Round & Amount

In terms of institutional funding for crypto companies, the most active VC investors in Japan by investment rounds from January 1, 2023, are Global Brain, East Ventures, and SoftBank. When it comes to funding amounts, the top three VC investors are Global Brain, SoftBank, and Z Venture Capital.

Although less active than in other countries, Japan's venture capital industry is characterized by a cautious and meticulous approach to investing. According to Siddarth Pai, co-founder and CFO of venture capital firm 3one4 Capital, "Japanese investors view investment as a partnership between equals based on mutual strengths, so their approach is careful, cautious and well-researched.

Traditional venture capitalists such as Softbank Vision Fund, East Ventures and Global Brain have been helpful in supporting companies. Japan's stable economy and capital markets have created a large pool of capital and investors, some of which flows into VC funds and startups. Economic stability also makes VC less risky compared to other countries.

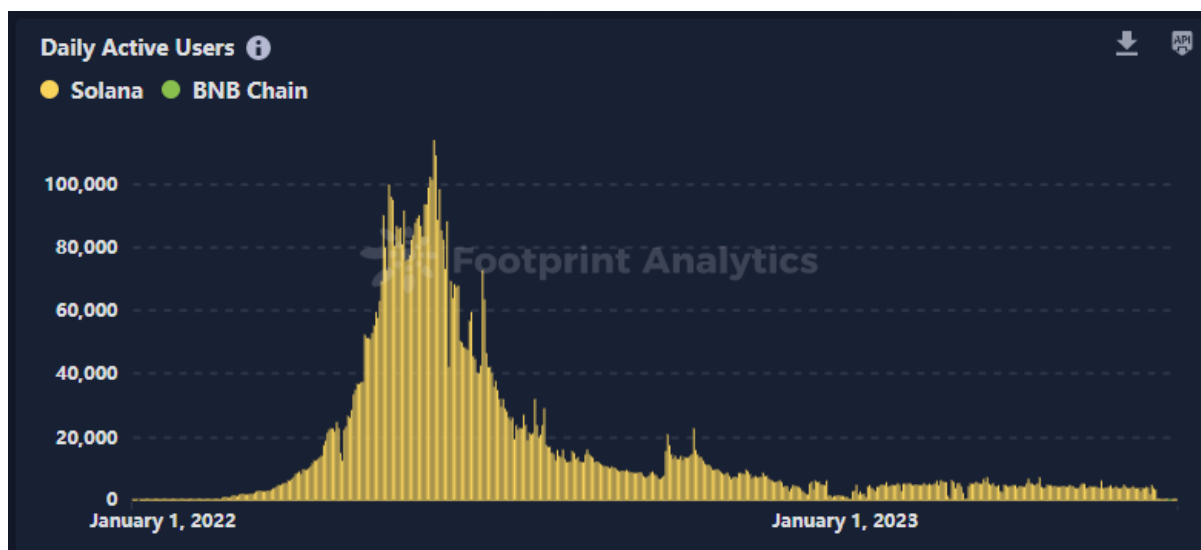
Despite obstacles such as an aging population and economic stagnation, Japan's large economy and domestic market remain attractive to investors and technology companies around the world. In addition, Japanese investors, while generally risk-averse, are increasingly willing to invest in startups and VC funds. As a result, a growing number of foreign technology companies are focusing their efforts on this sector. These companies are producing a new generation of entrepreneurs who are fueling the growth of Japan's startup environment.

While Japan's venture capital industry may not be as busy as those in other countries, its cautious and well-researched approach, along with support from traditional VCs and an increasing openness to risk-taking, make Japan a potential destination for startups and investors.

## Successful Case of International Projects Entering Japanese Market



STEPN, the first mobile game implementing Move to Earn in-game economics, emerged as a major success story in the Japanese crypto market.



[STEPN Daily Active Users](#)



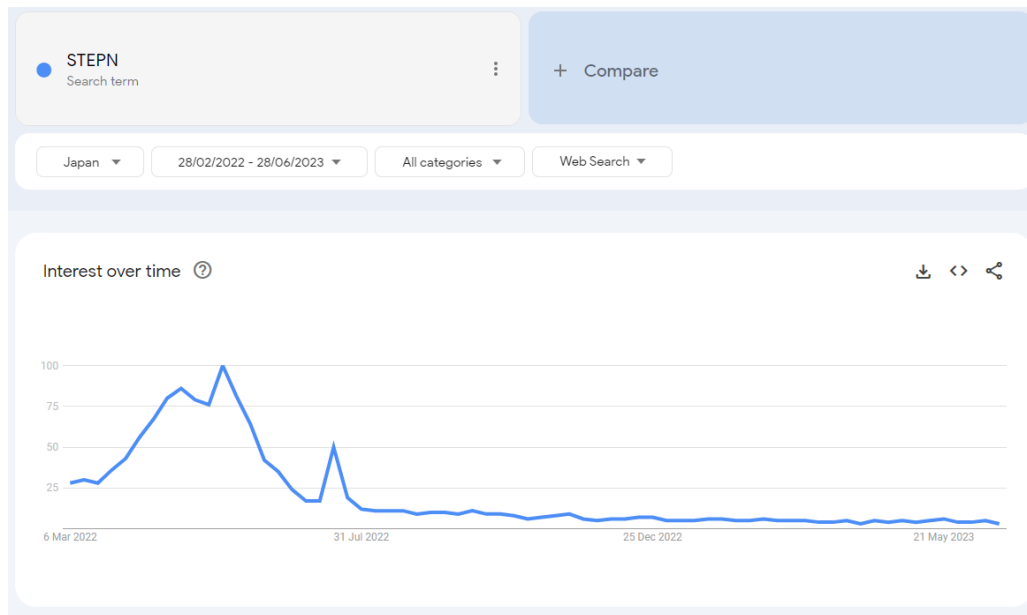
A few key factors can be identified that explain why STEPN found significant success in Japan. The core game mechanics involve acquiring sneaker NFTs, which can subsequently be used within the app to earn tokens exchangeable for cryptocurrency. As players level up these sneakers using their earnings, they can accumulate larger rewards.

Firstly, timing played a crucial role. STEPN launched around the end of 2021, at a time when the macro market conditions were relatively favorable compared to the present. Following the market peak in November 2021, many individuals found themselves with surplus funds. This liquidity boost triggered a significant influx of users and in-game item purchases. While market timing might not be within a project's control, it remains an important determinant of a project's success.

Additionally, it is worth noting that Japanese players typically have a larger spending power than those in other countries. As previously highlighted, Japanese players are often willing to spend significant amounts on in-game items, with some investing five to six-figure sums to maximize their in-game profits.

Such expenditure levels would be less likely outside of Japan. As an example, the primary growth driver of Axie Infinity, a popular Play-to-Earn game in the Philippines, was the Scholar system (where NFT holders can lend their NFTs to share revenue, negating the need for players to own NFTs), which enabled individuals with less upfront capital to participate.

STEPN initially targeted Japan for its marketing efforts. Therefore, before players in other parts of the world could join the game's economy, Japanese players had already shaped the in-game market according to their purchasing power, as opposed to a globally averaged one. As the Japanese are generally less familiar with globally-based communities, the successful creation of a local Japanese community sparked a positive cycle, leading to increasingly more discussions about STEPN in Japan than anywhere else.



Source: Google Trends

Though specific to STEPN, the use of GPS can also be considered a contributing factor. STEPN demanded accurate GPS tracking to prevent cheating and maintain the in-game economy's integrity, incorporating real-time stakes. With many Japanese using iPhones, which come with accurate GPS systems, it made it easy for players to start playing (and earning).

The Gacha system is a distinct feature that other projects could potentially adopt, where players spend in-game currency to receive a random in-game item. Owing to the long history of Web2 mobile games, the Gacha system has been a significant growth driver. STEPN successfully integrated this concept into their game, which fostered a sense of familiarity among players.

At its peak, STEPN players were able to earn roughly \$3,000 per day simply by walking. The game's intuitive nature, coupled with its lucrative rewards, sparked viral interest, extending even beyond the crypto community.

While future projects can learn from the strategies employed by successful predecessors like STEPN, it's important to note that macro market conditions and other external factors also play a substantial role in a project's success in penetrating the Japanese market.

# What Do These Successful Projects Have in Common?

Successful projects in the Japanese crypto industry must meet certain key criteria. These include community building, localization, and longevity.

## An Active Community

The ability to create a loyal community of supporters and users is one of the most important characteristics of a successful crypto project. Communities can help raise awareness, increase adoption, and ensure project sustainability. This can be achieved through a variety of methods, including community activities, incentives, and improved project transparency.

## Localization

Localization is also essential for success in Japan's cryptocurrency business. With a strong cultural foundation and Japanese as the national and primary language in Japan, projects need to adapt their products and services to local requirements and regulations, translate information into Japanese, collaborate with local influencers and media, and hold local events. By engaging with localized audiences, projects can gain more visibility and users in key locations.

## Longevity

Finally, effective crypto initiatives must be resilient and adaptable. This means developing a viable product and concept that will remain relevant through market turbulence. In Japan, where people are conservative and hesitant to adopt new technologies, projects must build reputation and operate for the long term to gain market momentum.

In addition to these characteristics, forming strategic alliances with key industry participants, such as other cryptocurrency initiatives, merchants, institutional investors, and the media, can help expand reach, build credibility, and drive mutually beneficial growth. This is especially important in Japan, where giants and conventional companies continue to dominate. To succeed, startups should leverage their strengths and align with these existing giants.

## Challenges and Opportunities

Japan has a strong and robust financial system, which provides a solid framework for the development of blockchain and web3 in the country.

When discussing the Japanese crypto market, regulations are often a primary concern. Japan has strict regulations in place to maintain stability and security for investors, as well as to ensure market integrity. While regulations protect the industry, they can also pose challenges for smaller crypto projects, hindering their entry and growth due to compliance burdens and high tax burdens on cryptocurrency-related income. In addition, lengthy approval processes for token listings can contribute to a perceived lack of market activity.

Japan has a long history of valuing stability and caution in financial matters, which can limit innovation and market agility while protecting traders from excessive risk. Innovation is key to the success of cryptocurrencies, so the lack of it can cause crypto businesses to fall behind competitors from other countries.

The good news is that recently, in April 2023, the Liberal Democratic Party, Japan's largest political party, released the "Japan 2023 Web3 Whitepaper." This whitepaper eased regulations and encouraged development in various aspects of the industry by reducing tax burdens and improving listing efficiency. Another recent development in June 2023 is that crypto issuers in Japan will not have to pay capital gains taxes on unrealized gains.

Institutional investors in Japan are showing a growing interest in cryptocurrencies and are increasingly recognizing the potential of it. Their growing interest and participation in the market has the potential to significantly boost the entire crypto industry. It also brings greater liquidity, stability and credibility to the market, attracting further interest from both retail and institutional investors.

The Japanese market has demonstrated its strong buying power, from traditional games and classic IPs to crypto games and NFT. Japan's combination of cultural expertise and strong financial system positions it as a potential global leader in the web3 industry. By building on its strengths and fostering innovation and growth, Japan has the opportunity to lead the future of web3 in the world.

Footprint Analytics is a data platform blending web2 and web3 data with abstractions. Leveraging cutting-edge AI technology, we help analysts, builders, and investors turn blockchain data into insights with accessible visualization tools and a powerful multi-chain API across 26 chains for NFTs, GameFi and DeFi.

Footprint Website: <https://www.footprint.network>

Discord: <https://discord.gg/3HYaR6USM7>

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Rokubunnoni, Inc. is an independent media company specializing in virtual currency and blockchain that has been active since 2018. Our vision is to contribute to the development of Web 3.0 by providing in-depth knowledge to our valued readers by covering innovative blockchain technologies and products from an unbiased perspective.

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