

# Japan Car Rental Market: Current Analysis and Forecast (2025-2033)

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## Abstracts

The car rental industry is an essential part of Japan's travel and transport ecosystem, which will allow for the availability of temporary vehicles for both domestic destination tourists and international tourists. Global needs of Japan rental car services cover a variety, including travelers who want to travel unaccompanied outside the city limits and business travelers who require vehicles for conferences and other events. The key growth of the market is based on such factors as vast inbound tourism, the attractiveness of independent driving, and the development of domestic tourism. The increasing number of tourists interested in major urban sites as well as rural destinations has caused an enormous rise in the rental car demand, for instance, in areas such as Tokyo, Osaka, and Hokkaido. In a more recent development, the market has shifted to favour eco-friendly moves as rental businesses have been encouraged to augment their inventory of vehicles with electric and hybrid models to fit the environmental awareness.

The Japan Car Rental market is set to show a growth rate of about 8.3% during the forecast period (2025- 2033F). Going forward, the rental car market in Japan is likely to record growth as the influx of tourism from China, South Korea, and the United States improves. From time to time, Japan will be faced with an increase in tourism because China will undergo in growth of its middle class and an increase in international travel. Deriving strength from the area's physical closeness and common heritage, travel from South Korea will aid Japan's rental car market, which will also benefit as a result of the United States' robust business and vacation industry. The rapid inflow of international clients, plus Japan's surging domestic tourism, is likely to increase rental vehicle demand. In response to its expansion, the rental sector might extend availability of digital interfaces, promote green cars, and offer alternatives such as car sharing and subscription, among other ventures, to cater to the tastes of Japanese and international

guests.

Based on Booking Type, the market is bifurcated into Offline and Online. Among these, the Offline segment is leading the market. In the offline rental car market of Japan, the major factors are the desire of customers to have direct face-to-face service, facilitation of immediate vehicle availability, and the guarantee provided by personal contact. It is not unusual that tourists, mainly from Japan, get some comfort from talking directly to staff at rental desks to confirm minor details on a vehicle, insurance, and rental for short-term. Customers' advantage through offline channels is that they will get the opportunity to view the vehicles first-hand before renting them. Apart from that, placing rental counters in locations such as airports, train stations, and destination hotspots answers the call for emergency rentals, thus sustaining the demand for offline rentals. While digital channels have advanced, the offline segment remains important due to its one-on-one interaction, quick and reliable provision.

Based on the Vehicle Type, the market is segmented into Small Cars/Hatchbacks, Sedans, SUVs, and Others. Among these, Small Cars/Hatchbacks are the largest contributor to the Japan Car Rental industry. The car rental business in Japan is dominated by hatchbacks and other small cars because they cost less and operate with less fuel consumption of fuel and are also easy to navigate on the urban streets. With their space-saving model, small cars are more maneuverable and park more easily, comforting drivers in the busy city atmosphere of Tokyo. A surge of interest in small, fuel-efficient cars, which resonate well with the earth-caring drivers today, has occurred due to the increasing awareness of environmental issues. Because they are common and do not entail high maintenance costs, such cars remain popular in tourists' preferences as a means of simple and cheap transportation.

Based on the Propulsion, the market is segmented into ICE (Internal Combustion Engine) and Electric Vehicles. Among these, ICE is the largest contributor to the Japan Car Rental industry. What sets the Internal Combustion Engine (ICE) vehicles in the Japanese rental car market apart is the well-developed infrastructure and rental prices. As a result of their availability, significant initial rental costs, which were less than those of electric vehicles, and the many fueling facilities available to support them, ICE vehicles offer convenient choices for the renters. Moreover, the convenience of driving and maintaining ICE cars is common knowledge among customers, which helps maintain their popularity for short-term rentals, where EV technology is a

novelty. Despite increased demand for electric vehicles, the ICE segment is still an appealing choice for attractive prices, reliability, as well as ubiquitous appeal to both domestic consumers and business travelers in general.

For a better understanding of the market adoption of Japan Car Rental, the market is analyzed based on its presence in regions such as Kanto, Kansai, Chubu, and Others. Out of all the regions, the Kanto region dominated the market. The fact that Tokyo is Japan's number one tourist resort and a top entry point for international travelers means very high demand for rental cars in the Kanto region. Being the home of Japan's business and culture hotspot, the city of Tokyo attracts millions of tourists, so the need for flexible and helpful transportation solutions grows. Having life in the busy city and the presence of big business areas brings the need for rental cars for personal and corporate movements in the region. Besides, the extensive transportation network of Kanto's region, with airports such as Narita and Haneda, makes it an easy takeoff point for tourists traveling throughout Japan. Because of its high degree of tourism, business requirements, and easy options for transportation, the Kanto area is identified by car rental companies as a top field market in Japan.

Some major players running in the market include Toyota Rent a Car, Nippon Rent-A-Car, ORIX Rent a Car, Times Car Rental, Nissan Rent a Car, Budget Rent a Car, Sky Rent a Car, Hertz, Sixt, and Europcar.

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