



Right: Masanobu Tago, Bank of the Ryukyus, Limited
Left: Kazunori Kono, ITFOR Inc.

Regional Cashless Transformation Pioneered by the Bank of the Ryukyus

Masanobu Tago
Deputy Head of Payment
Business Department
Bank of the Ryukyus, Limited



Kazunori Kono
Executive Officer, Head of
Payment Business Division
ITFOR Inc.

Kono:

ITFOR excels through empathy that sees it align with customer needs by engaging in discussions and striving for satisfaction to achieve growth, for customers and itself. I have heard that collaboration with the Bank of the Ryukyus has sparked innovation. Can you expand on this please?

Tago:

The Bank of the Ryukyus has promoted a cashless island concept in Okinawa since 2015. This

capitalizes on the tourism appeal of the region's rich culture and natural environment, which attract visitors from around the world to the main and smaller islands.

Cashless payment adoption in Okinawa, however, remains low, especially on the smaller islands. The absence of cashless payment options, despite high tourist demand, risks missing opportunities for regional economic growth and undermines Okinawa's immense potential.

To maximize regional value, we have initiated such experiments as introducing a local currency.

We also ventured into the acquiring business to bridge the gap between the banking and tourism industries. We acquired licenses from international credit card brands, such as Visa and MasterCard, to oversee merchant development, evaluation, and management. This has facilitated card usage by tourists, generated spending opportunities and boosted tourism.

“ITFOR, conversely, prioritized the understanding of our scheme to ensure that it would fulfill our desired specifications.”

Many small retailers and tourism operators dealt primarily with cash transactions, so the challenge was introducing them to card services. We addressed this by establishing a daily payment system. This change met substantial demand because depositing daily card sales into the accounts of card-accepting merchants—establishments with payment terminals for credit cards, debit cards, and similar payment methods—significantly improved merchants' cash flow. Offering card services and daily accounting showcased the bank's strength and potential.

User-friendly payment terminals that require no special training are vital to the widespread adoption of card services. So we partnered with ITFOR to fine-tune every aspect of our card services business to ensure a large-scale launch.

The Bank of the Ryukyus became an acquiring business at a time when few Japanese banks managed merchants. Major card companies dominated these functions. As a newcomer, we lacked the requisite system and could not afford to build one. We instead handled the central system internally and collaborated with other companies for payment terminals.

By chance, we consulted ITFOR about payment terminals. ITFOR, as it turned out, had plans to expand the use of payment terminals by separating their POS payment functionality. This aligned with our needs. ITFOR's multi-payment devices, which handle credit cards, electronic money, and QR codes, were industry groundbreakers. Today, all-in-one terminals are the industry standard.

We tried to partner with other leading system development firms, but most wanted just to adapt their products to our scheme rather than truly understand

it. ITFOR, conversely, prioritized the understanding of our scheme to ensure that it would fulfill our desired specifications and enable us to realize our cashless vision in its ideal form.

With the major credit card companies dominating the market and banks their mere subsidiaries, typically only managing credit card operations, the Bank of the Ryukyus acted boldly. We obtained licenses to engage directly in the acquiring business. This allowed us to retain revenue, including fees, within the prefecture.

We embarked on this and other new businesses in part to offset the impact of Japan's prolonged zero interest rate policy. That policy led to declining interest income from loans and returns on investments, such as government bonds. We needed to strengthen our service-related income with, for example, fee income. External factors were at play, but our implementation of our cashless island concept greatly advanced Okinawa's consumer digital transformation (DX).

Kono:

The Bank of the Ryukyus and ITFOR had a strong relationship from previous system implementations. But participating in your cashless island concept presented ITFOR with a transformational opportunity involving the introduction of cashless payment terminals (pictured) and a proposal for a terminal center.

ITFOR earlier had provided payment terminals and the terminal center for the retail mission-critical



system “RITS” (Retail Information Technology System for Strategic Management), which it sourced from Castles Technology Co., Ltd., in Taiwan for use by department stores. For the Bank of the Ryukyus, we utilized our technology and experience to develop a multi-payment terminal capable of processing 31 transaction types, including electronic money, China’s UnionPay QR, Alipay, and WeChatPay. This was one of the industry’s most extensively supported payment methods.

Some areas in Okinawa posed challenges because they lacked broadband and relied on analog communication. But ITFOR’s communication technology expertise made feasible their adoption of cashless payment. Addressing such niche needs also contributed to our profile.

When the Bank of the Ryukyus launched its acquiring business in 2017, ITFOR introduced the multi-payment terminals “iRITSpay Payment Terminal.” Looking back on our journey since the start of our cashless island concept collaboration, what stands out for you?

Tago:

Six years have passed since iRITSpay’s launch to a steadily expanding market share. Even remote islands have adopted it through their chambers of commerce and tourism associations. Its user-friendliness has led to its widespread use, even in family-run businesses. Yonaguni Island, for example, boasts more than 40 cashless stores, and the taxis on Miyako Island accept card payments, boosting their revenue.

Cashless payments contribute greatly to remote island revitalization and are aligned with ESG principles. We aim to further integrate technologies for additional community betterment.

The Bank of the Ryukyus entered the card business through its affiliates Ryugin DC and OCS. With ITFOR’s collaboration and the spread of its cashless terminals, we were able to begin issuing Visa debit cards. This gained us over 9,000 affiliated merchants within six years.

“Cashless payments contribute greatly to remote island revitalization and are aligned with ESG principles.”

Cashless adoption in Okinawa is leaving room for much growth. With more than ten million tourists annually by 2019, Okinawa’s need of cashless payments is vital for increased consumption. The adoption of Taiwan’s EasyCard boosts the region’s cashless options and promotes a more vibrant local economy, but more can be done.

And whereas regional banks often lack expertise to start credit card businesses, the Bank of the Ryukyus can now provide that knowledge. Entering this field allows regional banks to boost local economic revival for positive societal impact by the banking industry.

“Collaboration with the Bank of the Ryukyus has sparked innovation.”

Can you outline the evolution of the ITFOR and Bank of the Ryukyus collaboration, which began with the cashless island concept, and offer your outlook for the relationship?

Kono:

The expansion of iRITSpay as a result of ITFOR’s efforts to meet the expectations of the Bank of the Ryukyus for multi-payment capabilities characterizes our collaborative journey. In addition to credit cards, electronic money, and QR code payments, iRITSpay now supports Okinawa’s regional electronic money, OKICA, and Taiwan’s EasyCard. ITFOR is



iRITSpay is a comprehensive cashless payment platform that provides a secure and convenient payment solution for both businesses and customers.

also working on incorporating J-Debit transactions using cash cards. The diversification and payment center expertise that we’ve acquired stem largely from our need to meet the bank’s needs. What has resulted from the considerable enhancement in our capabilities are products aligned with market demands.

Our collaboration with the Bank of the Ryukyus has seen iRITSpay evolve and get picked up by other regional financial institutions. Under the direction of the Bank of the Ryukyus, we introduced iRITSpay to Hida Shinyo Kumiai (Hida Credit Union). The success of iRITSpay at the Bank of the Ryukyus likewise influenced other regional banks, including Chiba Bank and Shizuoka Bank, to incorporate it into their acquiring business projects. ITFOR is proposing iRITSpay’s expansion among additional banks.

“Our partnership with the bank is our springboard for providing ever-more innovative products and services to invigorate Okinawa’s local economies.”

We propose multi-payment and multi-service options. Payment terminals now feature Android functionality that extends their capabilities beyond payments to POS apps, loyalty point systems, and attendance-tracking apps. Retailers thus see vastly improved operational efficiencies.

The widespread adoption of cashless payments is expected to boost regional economic activity and consumer spending. Our addition of multi-service solutions is meant to nurture thriving local business environments. In Okinawa, we look to the Bank of the Ryukyus for requests and insights to improve our multi-service offerings in the same way the bank’s input helped us develop our multi-payment terminals to meet the bank’s requirements.

Our partnership with the bank is our springboard for providing ever-more innovative products and services to invigorate Okinawa’s local economies.

Tago:

Early on, the Bank of the Ryukyus recognized the quality of and relied on ITFOR’s debt management and call center systems. ITFOR’s track record was again demonstrated in the unique strengths it



displayed in leading the cashless island project.

Looking forward, we see the seamless integration of services and applications, including merging banking apps with multi-services, as an achievable goal for generating value. DX initiatives that integrate users, stores, and banks through value-added services and banking apps are key to benefiting the local community and advancing the bank’s societal contributions. As witnessed in Okinawa, cashless payments boost convenience and contribute to environmental sustainability. We hope that ITFOR continues to promote the cashless economy, here and nationwide.

“DX initiatives that integrate users, stores, and banks through value-added services and banking apps are key to benefiting the local community and advancing the bank’s societal contributions.”