

China UnionPay Merchant Services Co., Ltd.

China UnionPay Merchant Services, a settlement system operator for the world's largest debit and credit card UnionPay Card, made Japanese payment settlement agency Merchant Support Co., Ltd. its wholly-owned subsidiary in June 2017. The company aims to further improve the environment for ever-increasing numbers of Chinese tourists to use the card in Japan, with a particular focus on promoting its settlement system in local regions.

The China UnionPay Group was established as an interbank settlement network by a government initiative in 2002, promoted mainly by China's central bank, the People's Bank of China. Before UnionPay Card was introduced in China, debit and credit cards were not interoperable between banks and regions in China. So UnionPay Card was the first card that could be used anywhere in the country. With its convenience widely recognized and users quickly increasing across the nation, the group moved to the next step. It has established overseas bases in Asian and Western countries, so that Chinese can use the card overseas. And it continued to steadily expand its business and grow into one of the world's leading brands, with over 5 billion cards issued locally in 2015 and services available in more than 150 countries and regions. The company started a settlement service in Japan in partnership with Sumitomo Mitsui Card Co., Ltd. in December 2005.



The China UnionPay Group consists of four major corporations, including UnionPay International (a card issuer) and UnionPay Merchant Services (a settlement system operator) (hereinafter, "China UMS"). China UMS has been steadily growing as the UnionPay Card service expands. It has installed POS terminals* at more than 8 million member retailers throughout China.

* POS terminal: A terminal to manage and analyze information at point of sale.

Making UnionPay Card available anywhere in Japan

Shoichi Sakaue, Executive Officer and General Manager for Sales of Merchant Support (hereinafter "Merchant"), a Japanese subsidiary of China UMS, talked about the reasons behind the entry into the Japanese market as follows: "The recent increase of Chinese tourists visiting Japan forced us to expand our business into Japan to meet their needs. The China UnionPay Group is also setting up a grand goal of making the card available in each and every area and store around Japan. The group as a whole aims to create a positive growth cycle for the improvement of payment environment leading to increased Chinese tourists to Japan and thereby increased use of UnionPay Card."

According to the Japan National Tourism Organization (JNTO), the number of Chinese visiting Japan exceeded over 1 million in 2008, up from about 0.45 million in 2003, and further increased to around 7.36 million in 2017. "Many Chinese people visit Japan casually as if going to a theme park, since the nation is rich in natural tourism resources with delicious food, and people feel a sense of affinity to Japan economically and culturally. Because of its physical proximity, the ratio of Chinese repeat visitors is much higher than those from more distant areas like Europe. With a further increase in demand expected, China UMS

chose Japan to set up its first foreign base,” said Mr. Sakaue.



Aim to develop business in Japan on an overwhelming scale

China UMS established its foothold in Japan by acquiring Merchant as a subsidiary, which relays contracts between several card operators and member stores as well as card settlements. The company chose Merchant because it saw value in merchant's prompt and diverse settlement schemes and reasonable processing fee rate. According to Mr. Sakaue, “It takes about one month in general for a card settlement agency to pay member stores, but we do it within one to two weeks on average and even three days at the fastest. We offer an optimal plan among various settlement options, including weekly payment, to meet the needs of respective stores. In general, the processing fee rate that has to be paid by member stores to a card operator is 3-4%, but is somewhat lower via Merchant. This helps us to acquire many small-and medium-sized member merchants.”

Since Merchant became a subsidiary of China UMS in June 2017, it has acquired member stores and provided settlement services for UnionPay Card in Japan, via an acquiring agency. Becoming a subsidiary enabled the company to utilize big data collected via POS terminals at about 8 million UnionPay Card member stores in China and provide its member stores with knowhow in how to conduct promotion aimed at Chinese customers.

As of March 2018, more than 17,000 stores have joined the company's services throughout Japan, and the company aims to further increase turnover. “We aim to increase our average monthly turnover by 20% over the

following year. This is the same numerical target as we've achieved over the past decade. So we have to act at a fair speed if we are going to achieve this within just one year. However, we believe we can do it, given the expected increase in the scale of business and our strengths in prompt settlements and lower fees, as well as our promotions and support exclusively designed for Chinese users. As products and services available at member stores grow in value, fee income also increases. The China UnionPay Group has recently started an electronic settlement service through QR code scanning in China and successfully expanded its business. It also actively encourages Japanese member stores to adopt Chinese settlement methods. New business will be created through our new endeavors and collaborations with member stores,” Mr. Sakaue explained, as he described their business outlook.

Huge business opportunities brought by regional market development in Japan

While the use of UnionPay Card has been steadily increasing in urban areas, Merchant, as a Japanese subsidiary, is also pushing its settlement service at a quick pace in local regions. “At present, a major market for UnionPay Card is inbound tourist cities attracting many Chinese visitors. Together with JNTO and the municipalities, we are going to proceed with a plan to increase member stores, such as local retailers and roadside outlets, in non-urban tourist destinations. We believe that this approach will lead to the achievement of the group's big goal of making UnionPay Card available anywhere in Japan. Since our experience in local market development is limited, we would like to create win-win business while learning together with various stakeholders,” said Mr. Sakaue enthusiastically. Encouraging Chinese visitors to use their credit card in local regions is consistent with one of the

Japanese government's policy goals to become a tourism-oriented country. Merchant's activities will surely attract increasing attention.



Merchant Support Co., Ltd. CEO Masahiko Higashiyama

JETRO's support

For the establishment of its Japanese base, JETRO's Invest Japan Business Support Center (IBSC) provided information on authorization for card settlement by experts, market information and consultation on registration.

Interview June 2018

China UnionPay Merchant Services Co., Ltd (China UnionPay Group) history

May 2002	Establishment of China UnionPay in Shanghai, China	Jan 2008	Start of UnionPay Card issuance service in Japan
Dec 2002	Establishment of China UMS	Jan 2009	Start of EC member store service (Internet payment) in Japan
Dec 2005	Start of member store services in Japan		
After 2006	Start of UnionPay Card's ATM service in Japan	Jun 2017	Establishment of Japanese subsidiary in Tokyo

Merchant Support Co., Ltd.

Establishment	April 2005
Business overview	Member store acquisition agency service, early settlement payment agency service, system maintenance and operation
Parents company	China UnionPay Merchant Services Co., Ltd (China)
Address	Park West 12F, 6-12-1 Nishi-shinjuku, Shinjuku-ku, Tokyo, 160-0023
URL (China UMS)	https://www.chinaums.com/enums/

JETRO's support

- Provision of information on authorization for card settlement and market information
- Provision of consultation on registration