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Gaming Law

Japan

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1. Introduction

1.1 Current Outlook

The Integrated Resort (IR) Promotion Law (the “IR Promotion Law”) and the IR Implementation Law (the “IR Implementation Law”, collectively with the IR Promotion Law, the “IR Laws”) were enacted in 2016 and 2018, respectively. Until then, operation of gambling activities by the private sector, either in digital form or in land-based form, had been prohibited as criminal offences under the Penal Code. *Pachinko* (a vertical pinball-like game machine) and *pachi-slot* (a slot machine-like game machine) have had a certain popularity in Japan since the Second World War but the legality of these game machines has long been discussed. Under the IR Laws, gambling activities to be conducted by licensed casino business operators within approved land-based IRs are legalised and initially up to three IR areas (including casinos) will be approved by the Minister of Land, Infrastructure, Transport and Tourism.

Meanwhile, even after the enactment of the IR Laws, online gaming activities are still prohibited under the Penal Code and it is illegal to conduct such activities within Japan.

1.2 Recent Changes

Due to the COVID-19 pandemic, the schedule of the IR approval process has been substantially delayed. The “Principal Policy” for IR approval has not yet been published by the national government (it was expected to be published by July 2020) and the revised draft Principal Policy has been under a public comment solicitation process since 9 October 2020. Accordingly, all the other subsequent processes – including (i) the candidate municipal bodies’ publishing of the “Implementation Policies” for applications for IR approval, (ii) the candidate municipal bodies’ selection of IR/casino business operators, (iii) the candidate municipal bodies and IR/casino business operators’ filing of applications for IR approval (ie, authorisation on the IR Area Implementation Plan) by the national government, and (iv) the national government’s approval of the initial up to three IR areas – are also halted or delayed.

However, in some pro-IR/casino municipal bodies, the process of selecting the candidate casino business operator was informally being conducted and the candidate casino business operator was unofficially determined or the number of candidate casino business operators has been narrowed down. According to the draft notice published by the national government on 9 October 2020, the period during which the candidate municipal bodies and IR/casino business operators can jointly file applications for IR approval is scheduled to recommence from 1 October 2021 and end on 28 April 2022.

2. Jurisdictional Overview

2.1 Online

Betting/Bingo/Casino/Lotteries

As mentioned in **1.1 Current Outlook**, online gaming activities are prohibited under the Penal Code and they will not be legalised even after the enactment of the IR Laws since the IR Laws legalise only gambling activities conducted in land-based casino facilities located within an IR area. According to a statement regarding online gambling published by the national government on 1 November 2013 (as a response to an enquiry from a member of the Diet), if all or part of the “running a gambling place for the purpose of gaining profit” activities are undertaken within Japan, they may constitute a crime of “running a gambling place for the purpose of gaining profit” under the Penal Code. Exceptionally, betting on land-based horse races, bicycle races, motorcycle races, motorboat races and lotteries that are operated by the national government, municipal bodies and/or other public sector bodies may be made on an online basis.

Fantasy Sports

If a user pays a participation fee to the operator and prize money is paid from such participation fee, fantasy sports may constitute betting, which is a crime of gambling (ie, placing betting values in respect of an uncertain event to compete for winning or losing such values) under the Penal Code. Using skill to compose a fantasy team may not prevent fantasy sports being classed as betting.

Social Gaming

There are no laws specifically regulating the social gaming industry. However, the Computer Entertainment Supplier’s Association (CESA), a self-regulating organisation that merged with the Japan Social Game Association (JASGA), issues guidelines regarding real money trade (RMT) and *gacha* (an online random item provision machine similar to a “loot box”). In addition, excessive prizes might be banned by the Consumer Affairs Agency or the Fair Trade Commission under the Act against Unfair Premiums and Misleading Representations (the “Unfair Premium Act”). More specifically, under the Unfair Premium Act, the amount of a prize may not exceed the lower value of (i) 20 times the value of the transaction and (ii) JPY100,000.

Esports

Similarly to fantasy sports, if a participant pays a registration fee to the event organiser and the prize money includes such registration fee, it may constitute betting and esports may constitute the crime of gambling, and the event organiser collecting the registration fees may be charged for committing a crime of “running a gambling place for the purpose of gaining profit” under the Penal Code. Practically speaking, therefore, no registration fees are collected from participants, or registration fees

are used only for event operational expenses and prize money is provided by a third-party sponsor.

2.2 Land-Based

Only betting on horse races, bicycle races, motorcycle races, motorboat races and lotteries operated by the national government, the municipal bodies and other public sector bodies in both land-based form and on an online basis are permitted. All other betting, bingo and casino activities are prohibited under the Penal Code.

However, as mentioned in **1.1 Current Outlook**, gambling activities to be conducted by licensed casino business operators within approved land-based IRs are legalised under the IR Laws. The Japan Casino Regulatory Commission (the “Commission”) will set forth in its rules the specific types and methods of permissible gambling (ie, activities involving a competition for gaining or losing money depending upon random factors, which may be conducted between a casino business operator and customers or among customers themselves using equipment or tools installed in a place within the same casino facility) that are socially acceptable to ensure the public’s trust in, and understanding of, the sound operation of casino businesses, taking into consideration the current status of gaming in foreign countries.

While the Commission has not yet published a list of permissible gambling, it is expected that roulette, blackjack, baccarat, *dai siu* (hi-lo) and slot machines will be permitted. While poker will be played among customers only, it may be permitted if the poker game is played within the casino facility and the casino operator may supervise and ensure the fairness of such game.

3. Legislative Framework

3.1 Key Legislation

The Penal Code prohibits gambling activities as criminal offences. However, as an exception thereto, the Penal Code will not be applicable to the licensed casino business operator’s authorised gambling activities operated as business under the IR Implementation Law.

3.2 Definition of Gambling

While there is no formal definition, a commonly perceived concept of “gambling” is “betting values in respect of an uncertain event to compete for winning or losing such values”.

3.3 Definition of Land-Based Gambling

There is no statutory definition of “land-based gambling” or “online gambling” since online gambling is still illegal under the Penal Code and only land-based gambling (more specifically,

licensed casino business to be operated within an authorised IR area) is legalised under the IR Implementation Law.

3.4 Definition of Online Gambling

As mentioned in **3.3 Definition of Land-Based Gambling**, there is no statutory definition of “online gambling” since it is not legalised, even under the enactment of the IR Implementation Law.

3.5 Key Offences

A person who gambles shall be accused of committing a crime of “simple gambling”, although it will not be applicable to a person who bets on an item provided for temporary recreation.

A person who habitually gambles shall be accused of committing a crime of “habitual gambling”.

A person who provides gambling services (“runs a place for gambling or organises a group of habitual gamblers for the purpose of gaining profit”) shall be accused of committing a crime of “running a gambling place for the purpose of gaining profit”.

3.6 Penalties for Unlawful Gambling

A person who commits a “simple gambling” crime shall be punished by a fine of not more than JPY500,000 or a petty fine.

A person who commits a “habitual gambling” crime shall be punished by imprisonment for not more than three years.

A person who “runs a place for gambling or organises a group of habitual gamblers for the purpose of gaining profit” shall be punished by imprisonment for not less than three months but not more than five years.

3.7 Pending Legislation

There is no pending legislation.

4. Licensing and Regulatory Framework

4.1 Regulatory Authority

The Japan Casino Regulatory Commission is the key regulatory authority applicable to the gambling sector.

4.2 Regulatory Approach

An IR Area Implementation Plan shall be approved by the Minister of Land, Infrastructure, Transport and Tourism, and a casino business operator needs to obtain a licence from the Commission. The IR business operator shall file financial statements on a yearly basis and reports on a quarterly basis with the Minister of Land, Infrastructure, Transport and Tourism.

Thus, basically, Japan's regulation system is structured based upon a traditional "prescriptive" approach. On the other hand, the Minister shall evaluate, notify and publish the status of the implementation of the IR Area Implementation Plan, and the approved municipal body and the IR business operator shall appropriately reflect the result of such evaluation upon the improvement of their business operation to be made in accordance with the IR Area Implementation Plan. In that sense, the regulations of the IR Implementation Law are partially structured on a "risk-based" approach.

4.3 Types of Licences

Under the IR Implementation Law, casino business licences may be granted only to IR operators who operate a complex mixture of facilities – such as convention centres, recreational facilities, tourist facilities and accommodation facilities – as well as casinos that are authorised by the Minister of Land, Infrastructure, Transport and Tourism. In other words, a standalone casino business operator (non-IR operator) will not qualify as a licensed casino business operator. As a result, casino services may be provided only within IR areas implemented under the IR Area Implementation Plan authorised by the Minister of Land, Infrastructure, Transport and Tourism.

Besides, certain types of IR/casino-related business operators other than casino business operator will need their respective authorisations to conduct such businesses under the IR Implementation Law. For example, (i) a casino facility provider must obtain a licence from the Commission if it intends to manage and lease casino facilities to a casino business operator, and (ii) the owner of any land that is used for IR/casino facilities shall obtain a permission from the Commission if it transfers or leases the land to an IR/casino business operator. The rent relating to the lease of such casino facility or land shall be determined in a fixed amount since it is prohibited for a casino business operator to execute a contract in which the amount of the consideration is determined in proportion to the gross gaming revenue (GGR).

Furthermore, to ensure the sound operation of casino businesses, casino-related equipment providers must obtain the approval of the Commission if they wish to manufacture, import or sell casino-related equipment. Since the quality and functionality of casino-related equipment affects the sound operation of casino businesses, casino-related equipment providers shall comply with technical standards for casino equipment as determined by the Commission. Casino-related equipment providers also have to pass an inspection of electromagnetic casino-related equipment that is conducted by the Commission, and examine non-electromagnetic casino-related equipment on their own and report the result of such examination to the Commission.

4.4 Availability of Licences

Under the IR Implementation Law, the maximum number of approved IR areas is initially three (the appropriateness of such number will be reviewed seven years after the issue date of the initial approvals and may or may not be increased up to a maximum of ten) . Since each IR area may have only one casino operated by one casino business operator, the maximum number of casino business licences is also initially three.

4.5 Duration of Licences

The duration of the Minister's authorisation of the IR Area Implementation Plan is initially ten years and it shall be renewed every five years. The local municipal council's approval will be necessary for the initial and every renewed authorisation. The risk of suspension of the IR/casino project due to disapproval by the municipal council or otherwise upon such renewal is a big open issue (the so-called Article 10 issue). The duration of a casino business licence is three years and a renewal will be required to extend it for another three years. In the renewal process, the Commission will check whether the licensee has maintained its integrity during the previous licence period.

The casino business licence may be revoked by the Commission:

- if the licence was obtained by making a false statement or by using any other unjust means;
- if the licensed casino business operator has not commenced its casino operation business within six months after passing the inspection of the constructed casino facility;
- if the casino operation business has been suspended for six months or more without any justifiable reason; or
- in certain other cases.

If the approval of the relevant IR Area Implementation Plan is revoked, or if the licence of the relevant casino facility provider is revoked or invalid, then the licence of the casino business will also be automatically revoked.

4.6 Application Requirements

The key application requirements for casino business operators are the capability of operating a casino business in terms of human resources, social credibility, financial stability, anticipated profitability, the floor area for casino activities, the technological quality of the casino facility's structure and equipment, the technological quality of the casino-related equipment and certain other factors. The offices of the applicant casino business operators shall also have sufficient social credibility. Strict background checks on the casino business operator's officers, directors, employees, subsidiaries, affiliated companies and other relevant persons and entities (including external persons who have controlling powers over the relevant casino operation) will be carried out during the above licensing process. Detailed

information will be required to be submitted to the Commission to check the integrity and soundness of the IR operator's business.

A licensed casino business operator shall be a company incorporated under the Companies Act; typically, a *kabushiki kaisha* (KK) or a *godo kaisha* (GK). There are no residency or nationality requirements to become an owner of an IR/casino business operator.

Any person who wishes to own 5% or more of the voting rights, shares or interests in an IR/casino business operator needs to obtain permission from the Commission since (i) major holders of such voting rights, shares or interests may materially affect the casino business operator's casino business, or the casino facility provider's casino facility management or lease business, by exercising their rights as holders of these voting rights, shares or interests; and (ii) they receive distributions from the casino's GGR. Licensed casino business operators and licensed casino facility operators must periodically file with the Commission lists of all holders of voting rights, shares or interests, pursuant to the rules of the Commission.

4.7 Application Timing

The approved IR operator applicant will file with the Commission an application for a licence for casino business operation, and the Commission will examine whether such applicant satisfies certain eligibility criteria. The standard licence examination period has not yet been published by the Commission.

4.8 Application Fees

An applicant for a licence for casino business operation shall pay the necessary costs for its examination to the national government. More specifically, such applicant shall pay an estimated amount of such examination costs (background check, etc) calculated and notified by the Commission by a date designated by the Commission. If the amount paid as an estimated amount is short of the amount of actual examination costs, the applicant shall pay the shortfall of costs calculated and notified by the Commission by a date designated by the Commission. If the above estimated amount or additional amount has not been paid, the Commission may dismiss the application for a casino business licence.

4.9 Ongoing Annual Fees

While there are no annual fees, if a casino business operator intends to renew the casino business licence after its valid period, it shall pay the costs necessary for the examination that are necessary for such renewal of the licence using the similar amount-determination and payment process as mentioned in 4.8 Application Fees.

5. Land-Based Gambling

5.1 Premises Licensing

As mentioned in 2.2 Land-Based, under the IR Implementation Law, casino business may be operated only within land-based IR areas authorised by the national government (where integrated resorts or specified complex tourist facilities including convention centres, exhibition facilities, recreational/entertainment facilities, tourism promotion facilities, accommodation facilities and a casino are established). Only one casino facility may be operated in one IR area and the maximum floor area of the casino facility is 3% of the total floor area of such IR.

Up to three IR areas will be initially approved by the Minister of Land, Infrastructure, Transport and Tourism.

5.2 Recent or Forthcoming Changes

Due to the COVID-19 pandemic, the schedule of the IR area approval process has been substantially delayed. It is currently expected that applications for authorisation as an IR area will be made from 1 October 2021 through to 28 April 2022.

6. Online Gambling

6.1 B2C Licences

No such licences are available.

6.2 B2B Licences (Suppliers, Software, Etc)

No such licences are available.

6.3 Affiliates

This is not applicable in this jurisdiction.

6.4 White Labels

This is not applicable in this jurisdiction.

6.5 Recent or Forthcoming Changes

See 1.2 Recent Changes.

6.6 Technical Measures

No information has been provided in this jurisdiction.

7. Responsible Gambling

7.1 RG Requirements

Since the casino business licence is a privilege, the licensed casino business operator shall have high standards of ethics and integrity and shall take measures necessary to ensure responsible gambling.

The Basic Law on Measures Against Gambling Addiction was enacted on 13 July 2018 and became effective on 5 October 2018. Under such law, the national government drew up the Master Plan for Facilitating Anti-Gambling Addiction Measures on 19 April 2019. It is expected that each prefecture will make a Plan for Facilitating Anti-Gambling Addiction Measures in the near future.

In order to prevent addiction to casino gaming, a casino business operator must take the following measures:

- a measure for restricting the use of casino facilities by a visitor upon request from the visitor himself or herself, their family or other persons concerned;
- a measure for restricting the use of casino facilities by a person who is found to be inappropriate to use casino facilities, because of the aim to prevent the harmful effects of addiction to casino gaming;
- a measure for establishing the necessary systems to appropriately respond to a consultation on the use of casino facilities by visitors and other measures for helping visitors to make an appropriate decision on the use of casino facilities; and
- other measures necessary for preventing addiction to casino gaming as specified by the rules of the Commission.

To ensure these measures are applied appropriately, the casino business operator must take the following measures:

- education and training of its employees;
- improvement of systems to accurately implement the above measures (including the appointment of (x) persons who exercise overall control over the services necessary for accurately implementing the above measures and (y) persons who audit the relevant services);
- evaluations of the above measures; and
- other measures specified by the rules of the Commission.

In addition, a casino business operator and its employees shall comply with the Regulations on Prevention of Addiction, which will be attached to the application for a casino business license.

To ensure responsible gambling, a casino business operator must not allow the following persons to enter its casino facilities or stay therein, except for the cases specified by the relevant Cabinet Order:

- a person who does not pay the national admission fee (JPY3,000 per entry) or the local admission fee (JPY3,000 per entry);

- a person, other than a non-resident foreigner, who has entered the casino gaming operation area three times in the past seven days; or
- a person, other than a non-resident foreigner, whose number of casino entries in the past 28 days has already reached ten.

For implementing such entry restriction, a casino business operator shall confirm the identity of visitors each time upon their entry into, and exit from, the casino gaming operation area.

To ensure responsible gambling, a casino business operator shall also take measures necessary for:

- identifying persons who are prohibited from entering casino facilities;
- having such entry-prohibited persons leave the casino facilities in cases where such persons are identified; and
- other necessary measures for preventing such entry-prohibited persons from using the casino facilities.

For compliance with such rules, a casino business operator shall:

- implement education and training for its employees;
- make rules of conduct;
- appoint persons who exercise overall control over the services necessary for complying with these rules; and
- undertake other measures specified by the rules of the Casino Regulatory Commission.

To prevent problem gambling, only non-resident foreigners may purchase chips using credit cards. Due to the same reason, automatic teller machines (ATMs) are not permitted to be installed within casino facilities and only ATMs without money-lending functions are permitted to be installed in areas surrounding casino facilities.

In addition, since money lending might accelerate problem gambling, access to money borrowing is only available to (a) customers who have the financial capability to deposit with the casino business operator cash exceeding a certain amount, and (b) non-resident foreign customers. Also, to prevent excessive lending, casino business operators shall check customers' capabilities to repay their loans and shall set a separate cap on the loan amount for each customer.

7.2 Gambling Management Tools

No gambling management tools are yet available.

8. Anti-money Laundering

8.1 AML Legislation

Members of organised crime groups, or those who used to be members of organised crime groups during the last five years, are prohibited from entering casino facilities. A casino business operator must:

- pursue know-your-customer (KYC) procedures (confirmation of the identities of customers, the purposes of their transactions, the professions or business purposes and identities of the persons controlling judicial entities);
- keep records of transactions; and
- notify the Commission (which will re-notify to the National Public Safety Commission) of any transaction that is suspected to be a transfer of criminal proceeds.

In addition, the casino business operator must:

- take measures that are necessary to prohibit the transfer of chips among customers and the carrying of chips from within the casino facilities to outside;
- show signs stating that “the transfer or carrying of chips from within the casino facilities to outside is prohibited” in the area of verification of customers’ identification, as well as the area of casino activities; and
- notify the Commission of any delivery of chips or other casino business-related transactions that accompany the payment or receipt of cash exceeding JPY1 million.

More specifically, a casino business operator must:

- establish internal rules for the prevention of transfers of criminal proceeds, which set forth clear procedures for the above measures;
- take measures to update, from time to time, information regarding matters that need to be verified when conducting casino transactions (eg, details of identification documents that are required from customers);
- provide education and training to employees;
- put in place a system for implementing anti-money laundering measures, such as the appointment of a supervising manager;
- conduct self-evaluations and internal audits concerning its anti-money laundering measures; and
- take any other measures that are required under the rules of the Commission.

For the purpose of preventing money laundering, all money transfers and receipts carried out by casino business operators upon customers’ requests are only carried out via financial insti-

tutions, and each customer’s deposit is only transferred to that customer’s own account.

8.2 AML Requirements

In Japan, money laundering with respect to proceeds from certain serious crimes such as drug-related crimes, murder, burglary and currency counterfeiting (including activities conducted outside Japan that (i) would be criminal offences if they were conducted in Japan, and (ii) are criminal offences under the relevant jurisdiction of the place where such activities were performed) is prohibited as a crime under the Narcotics Special Provisions Act and the Punishment of Organized Crimes and Control of Crime Proceeds Act. In addition, in order to prevent money laundering and terrorist financing, the Criminal Proceeds Transfer Prevention Act (CPTPA) requires certain types of business operators, such as financial institutions and real estate agents, to:

- verify the identity of their customers by confirming the customer identification data, the purpose of conducting the transaction, the customer’s occupation or the nature of their business and the beneficial owner of the customer (for an incorporated entity only) when undertaking certain transactions that are specified in the CPTPA;
- prepare and preserve records of such verification and the transaction itself; and
- report any suspicious transaction to the competent administrative authority.

These regulations are made based on recommendations issued by the Financial Action Task Force on money laundering (FATF).

9. Advertising

9.1 Regulatory/Supervisory Agency

The Japan Casino Regulatory Commission is the relevant regulatory/supervisory agency.

9.2 Definition of Advertising

There is no jurisdiction-specific definition of advertising and instead the following definition of advertisement by the American Marketing Association (AMA) is often cited: “advertisement means any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor”.

9.3 Key Legal, Regulatory and Licensing Provisions

In order to prevent problem gambling and maintain the sound upbringing of young people, good morals, a clean entertainment environment and the protection of customers, (i) false or

exaggerated expressions and explanations, (ii) expressions and explanations that may not be objectively proven to be true, and (c) expressions and explanations that may violate good morals or damage a clean entertainment environment are prohibited.

Every advertisement or promotion of a casino business or a casino facility shall contain (i) a warning regarding the connection between the use of casinos and problem gambling, and (ii) a notice that minors' entry into casinos is prohibited.

In advertising the casino business or casino facilities, any person must make efforts (i) to give consideration to its influence over persons under 20 years of age and the relationship between the use of casino facilities and addiction to casino gaming, and (ii) not to advertise excessively.

More specifically, the casino business operator shall:

- educate and train its employees to comply with these rules;
- create internal compliance rules;
- appoint persons in charge of activities that are necessary for compliance with these rules; and
- appoint persons to audit such activities.

9.4 Restrictions on Advertising

The installation of signboards, posters and other advertisements is prohibited outside the IR area, except for passenger terminal facilities in airports and ports.

It is expected that the Commission will execute and publish a guideline on the advertisement and promotion of casino business, referencing the existing guidelines under the Tobacco Business Act, where, for example, no advertisement of tobacco may be made via the radio, internet, or certain other media unless it is technically feasible to ensure such advertisement targets only adults.

9.5 Sanctions/Penalties

The Commission may order any person who advertises or promotes casino business in violation of the applicable rules to suspend or correct such advertisements or promotion by a certain deadline. Any person who violates such order may be subject to punishment by imprisonment with work for up to one year, a fine of up to JPY1 million, or both.

The Commission may make a recommendation that a person who has advertised or solicited the casino business or casino facilities in violation of the Commission's guidelines for casino advertisements shall take measures necessary for its correction. If the person does not comply with such recommendation, the Commission may make a public announcement of such non-compliance.

If the Commission finds that (i) the advertisements might violate the relevant articles of the IR Implementation Law or do not follow the Commission's guidelines for casino advertisements, or (ii) the person might not comply with the Commission's recommendation, then the Commission may order the relevant person to submit necessary reports or have its officials enter such person's offices or any other facilities and may inspect the relevant documents and other materials. A person who has failed to submit such report or submitted a false report, or has refused, obstructed or avoided an inspection pursuant to the above rules may be subject to punishment by imprisonment with work for up to one year, a fine of up to JPY1 million, or both.

10. Acquisitions and Changes of Control

10.1 Disclosure Requirements

There are no disclosure requirements specifically tailored for acquisitions or change of control of gaming and gambling companies.

10.2 Change of Corporate Control Triggers

Under the IR Implementation Law, if the licensed casino business operator intends to carry out a merger, corporate split or transfer of its casino business, it must file with the Commission an application for the approval of such corporate reorganisation transaction. There is no definition of "merger", "corporate split" or "transfer of (casino) business" under the IR Implementation Law and they will have the same meanings as those used under the Companies Act.

A "merger" is a transaction in which a company's rights and obligations are comprehensively succeeded to by another company and includes two types of mergers:

- an "absorption-type" merger, in which one company will merge into another company, which will be the surviving company; and
- a "consolidation-type" merger, in which both companies will be merged into a newly incorporated company.

A "corporate split" is a transaction in which all or part of the rights and obligations of a certain business division of a company are comprehensively transferred to another company, and includes two types of corporate split:

- an "absorption-type" corporate split, in which an existing company transfers a certain division of its business to another existing company; and

- an “incorporation-type” corporate split, in which an existing company will transfer a certain division of its business to a newly established company.

While there is no definition of “(casino) business transfer” in the Companies Act, it is generally considered as a contract-based transaction in which a company transfers all or part of its business (usually including the relevant assets, liabilities, contracts, employees, and other rights and obligations of the target business) to another company.

10.3 Passive Investor Requirements

Any person that intends to become a holder of voting rights, etc, equal to or greater than 5% through a merger or any other transactions or acts specified by the rules of the Commission (not yet established) must obtain authorisation from the Commission.

11. Enforcement

11.1 Powers

The Commission shall audit the operations and the accounting of casino business operators every year.

If and to the extent necessary, the Commission may order (i) a casino business operator, (ii) a holder of the voting rights of such casino business operator, (iii) a person who has dominant influence over the business activities of such casino business operator by way of capital contribution, money lending, business or other relationships, and (iv) the employees or former employees of such casino business operator to submit the reports or materials relevant to the services conducted or the assets held by such casino business operator.

Even after the casino business operator has obtained a casino business licence, the casino business operator has to conform to the licence standards listed in the IR Implementation Law concerning the services conducted or the assets held by the casino business operator.

The Commission may, if and to the extent necessary for enforcing the IR Implementation Law, have its officials:

- ask interested parties questions about the conformity to the licence standards, the services conducted or the assets held by the relevant casino business operator;
- enter the business office or other establishment of the relevant casino business operator or certain other relevant parties or their employees;
- inspect the accounting books and other items; or
- remove non-electronic or magnetic casino-related devices, if and to the extent necessary, for testing without compensation therefor.

The Commission may, when it finds it necessary to maintain the sound operation of the casino business by a casino business operator, taking into consideration the status of the services provided by such operator or the properties thereof, (i) order such casino business operator to (a) amend its statement of operational methods, (b) submit to the Commission the plans for improvement of the business operations or the status of properties, or (c) take other necessary measures for improving its business operations or status of properties; or (ii) if and to the extent necessary, order the suspension of all or part of the relevant casino business or the related services provided within casino operation areas.

11.2 Sanctions

The Commission may:

- order the relevant casino business operator to suspend all or part of the relevant casino business or the related services within casino gaming operation areas, setting an appropriate time limit;
- revoke a casino licence or other approval;
- revoke a confirmation of a casino operator’s employees or other staff; or
- order the relevant casino business operator to dismiss the relevant officers.

In addition, the Commission may, when it finds it necessary to maintain the sound operation of the casino business, order the approved principal shareholders, etc of the relevant casino business operator to take measures deemed necessary for their supervision.

There is no history of enforcement of sanctions because the Commission was only established as of January 2020 and has not granted casino licences to any casino business operators.

11.3 Financial Penalties

Under the IR Implementation Law, there are no financial penalties other than fines that might be imposed in the case of committing criminal offences. Under the Penal Code, profits gained by gambling as a criminal act may be confiscated by the criminal court.

12. Recent Trends

12.1 Social Gaming

This is not applicable in this jurisdiction.

12.2 Esports

Excessive prizes might be banned by the Consumer Affairs Agency or the Fair Trade Commission under the Unfair Premium Act. Whether or not prize money for esports events constitutes such prize was not clear. However, in response to a non-action letter dated 3 September 2019, the Consumer Affairs Agency confirmed that, as of 3 September 2019, prize money and items for esports events are money and items provided as “compensation for work” and are not subject to the restrictions on the maximum amount of prizes set forth under the Unfair Premium Act.

12.3 Fantasy Sports

In May 2019, a first Japanese fantasy sports event called “FANTASYONEonONE” was held. So as not to constitute betting or gambling, participants did not pay participation fees and the prize money (JPY3 million in Amazon gift tickets) was split among the participants who correctly answered the who-wins-the-game quiz.

12.4 Skill Gaming

The legality of skill games is not discussed much in Japan and it is generally considered as a variation of online gambling.

12.5 Blockchain

As mentioned in **2.1 Online**, online gambling is illegal and therefore a blockchain casino, a form of online gambling, is also illegal. As mentioned in **3.5 Key Offences**, a person who bets “a thing to be provided only for temporary recreation” – such as a package of cigarettes, a bottle of beer, or other beverage or food consumable – instantly on the spot shall not be accused of committing a crime of “simple gambling”. According to a guideline of the Blockchain Contents Association (BCA), non-fungible tokens (NFTs) or other digital assets that may be acquired in the game and tradable among the game users and exchangeable into cash are “data having asset value” that will not constitute “a thing to be provided only for temporary recreation”. Therefore, *gacha* or other blockchain game betting on NFTs or such valuable data assets may constitute “simple gambling”, a criminal offence under the Penal Code.

12.6 Reform

Please see the above.

13. Tax

13.1 Tax Rate by Sector

The casino business operator bears:

- a floating national tax, the amount of which is (i) 15% of the GGR (which is composed of (x) the aggregate chip amount received from customers, less the amount refunded to customers, and (y) the profit gained from betting among customers) per month, and (ii) a fixed tax that covers the administrative expenses of the Committee; and
- a floating municipal tax, the amount of which is 15% of the GGR per month.

The casino business operator shall pay these taxes to the national government on a monthly basis, by a specific day of each month.

The national government and the relevant municipal body impose entrance fees on customers other than non-resident foreigners entering casino facilities, in the amount of JPY3,000 as the national entrance fee and JPY3,000 as the municipal entrance fee (JPY6,000 in total).

The casino business operator shall collect these entrance fees from customers upon their entry into casino facilities for the national government and the municipal body, and shall pay such amount to the national government on a monthly basis by a specific day of each month.

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