

# MORI & PARTNERS

Roppongi Hills North Tower 16F 6-2-31 Roppongi, Minato-ku Tokyo 106-0032 Japan

TEL: 03-6831-9281 FAX: 03-6800-5542

<https://mps-legal.com/>

## Organising Esports Tournaments in Japan: Navigating Legal Challenges and Implementing Practical Solutions – Part 1

January 28, 2025

### 1. Introduction<sup>1</sup>

As esports gain global traction, Japan has become a prominent arena for these digital competitions.<sup>2</sup> However, organizing esports events in Japan involves navigating complex legal challenges. This article outlines the legal frameworks that influence esports tournament organization in Japan, focusing on three key areas: the Act against Unjustifiable Premiums and Misleading Representations, gambling regulations under the Penal Code, and the Act on Control and Improvement of Amusement Business. We aim to provide practical guidance for complying with these laws, helping stakeholders establish legally sound esports events. Understanding these regulations is essential for anyone looking to engage with or expand the esports industry in Japan.

### 2. Legal Challenges in Organising Esports Tournaments in Japan

When planning esports tournaments in Japan, organizers must consider and comply with three key legal frameworks: (A) the Act against Unjustifiable Premiums and Misleading Representations, (B) gambling offenses under the Penal Code, and (C) the Act on Control and Improvement of Amusement Business. In Part 1 of this series, we focus on (A) the Act against Unjustifiable Premiums and Misleading Representations and (B) the gambling regulations under the Penal Code. In the upcoming Part 2, we will explore

---

<sup>1</sup> This communication is provided as a service to our clients and friends and is for informational purposes only. It is not intended to create an attorney-client relationship or constitute an advertisement, a solicitation, or professional advice as to any particular situation. Specifically, laws and regulations concerning esports tournaments are subject to frequent amendments; therefore, the information contained in this article may not always remain up-to-date. It is advisable to consult a legal advisor to confirm the legality of any specific esports tournament on a case-by-case basis.

<sup>2</sup> See, e.g., the National Prefectural Esports Championships 2023 KAGOSHIMA | Japan Esports Union Official Site at <https://jesu.or.jp/2023kagoshima/>

# MORI & PARTNERS

Roppongi Hills North Tower 16F 6-2-31 Roppongi, Minato-ku Tokyo 106-0032 Japan

TEL: 03-6831-9281 FAX: 03-6800-5542

<https://mps-legal.com/>

(C) the Act on Control and Improvement of Amusement Business, providing a detailed explanation of each of these laws.

## **2.1. The Act against Unjustifiable Premiums and Misleading Representations**

### **2.1.1. Why Is This Act Important for Esports Tournaments?**

The Act against Unjustifiable Premiums and Misleading Representations prevents businesses from using deceptive or excessively tempting methods to influence consumer decisions, ensuring that people make choices based on clear and honest information.<sup>3</sup>

The Act controls the maximum value and total amount of “premiums,” which are extra benefits businesses might offer to attract customers. Specifically, the Act provides that the value of prizes should not be more than 20 times the price of the product or service, with a cap of 100,000 yen.<sup>4</sup> This leads to key questions: Does the prize money in esports tournaments count as a “premium”? If yes, is the maximum prize money limited to 100,000 yen?

To present the conclusion first, although prize money in esports may be classified as a premium, if an esports tournament is organized in accordance with the specific points outlined in Section 2.1.4. below, the prize money does not fall within the definition of a premium and, accordingly, the prize money in such tournaments would not be restricted by the Act’s upper limit of 100,000 yen. The reasons follow.

### **2.1.2. Three Elements for Premiums**

To address this issue, it is necessary to clarify the interpretation of the term “premium”. The term “premiums” means (a) premiums offered as a means of inducing customers, (b) premiums offered by a business as incidental to a transaction for goods or services supplied by the business, and (c) goods, money, or other economic benefits.<sup>5</sup>

The first element, customer inducement, is assessed based on whether the “premium” serves as a means to persuade consumers to purchase goods or services. The

---

<sup>3</sup> Article 1 of the Act against Unjustifiable Premiums and Misleading Representations.

<sup>4</sup> Article 2 of the Guidelines for the Interpretation of the Notification on Premium Offers by Lotteries or Prize Competition

<sup>5</sup> Article 2, Paragraph 3 of the Act against Unjustifiable Premiums and Misleading Representations.

# MORI & PARTNERS

Roppongi Hills North Tower 16F 6-2-31 Roppongi, Minato-ku Tokyo 106-0032 Japan

TEL: 03-6831-9281 FAX: 03-6800-5542

<https://mps-legal.com/>

determination of customer inducement relies on objective measures of consumer attraction, rather than subjective intentions of the business or service provider.<sup>6</sup>

The second element, transactional incidentality, is judged by whether the premium is offered as an incidental part of the transaction and as a condition of the transaction. This concept also applies when one company sponsors another, and both receive mutual economic benefits.

The third element, economic benefit, means any goods, money, or other forms of economic benefit included in the prizes offered.<sup>7</sup>

### 2.1.3. Does Prize Money in Esports Tournaments Constitute a “Premium”?

The prize money awarded to top performers in an esports tournament clearly falls within an “economic benefit.” The remaining elements are (a) whether it serves as customer inducement and (b) if it is categorized as transaction incidental.

Regarding the element (a), customer inducement, if participation in an esports tournament requires purchasing and practicing games sold by the sponsoring company, then the prize money for top performers would be considered a means of inducing customers.<sup>8</sup>

Next, regarding the element (b), transactional incidentally, the Consumer Affairs Agency has indicated that “if a [tournament’s] plan makes it possible or easier for paid users to receive an economic benefit in the form of prize money, then the prize money offered to top performers in a tournament can be considered as an offer ‘incidental to a transaction.’”<sup>9</sup> In other words, if participants make in-game purchases to acquire items in advance of competing in the tournament, thereby increasing their chances of winning and receiving the economic benefit of prize money, then the prize money awarded to top performers is likely to be considered as “incidental to the transaction.”

---

<sup>6</sup> “Standards of Practice for Notification of Designation of Premiums” by the Consumer Affairs Agency (2024)

<sup>7</sup> “Standards of Practice for Notification of Designation of Premiums” by the Consumer Affairs Agency (2024)

<sup>8</sup> Consumer Affairs Agency Directive No. 1306, Notice of Procedure for Preliminary Confirmation of Legal Application, September 9, 2016, Section 2(3):  
[https://www.caa.go.jp/law/nal/pdf/info\\_nal\\_160909\\_0005.pdf](https://www.caa.go.jp/law/nal/pdf/info_nal_160909_0005.pdf)

<sup>9</sup> “Standards of Practice for Notification of Designation of Premiums” by the Consumer Affairs Agency (2024)

# MORI & PARTNERS

Roppongi Hills North Tower 16F 6-2-31 Roppongi, Minato-ku Tokyo 106-0032 Japan

TEL: 03-6831-9281 FAX: 03-6800-5542

<https://mps-legal.com/>

If the prize money be classified as “premiums,” the maximum amount awarded to winners and other top performers would be capped at 100,000 yen pursuant to the Act.

## 2.1.4. Solutions - Conducting Tournaments Compliant with Premium Regulations

Although the Act against Unjustifiable Premiums and Misleading Representations is relevant to organizing esports tournaments, it is feasible to conduct tournaments without violating the Act by adhering to the following points. In Japan, numerous esports tournaments with significant prize money, sometimes exceeding 100 million yen, have been successfully held.

(i) If a game maker does not operate an esports tournament, or if participants can join without buying products sold by the organizer, then the elements of (a) and (b) are not met, even when prize money is awarded to top performers.<sup>10</sup> Consequently, such prize money does not qualify as a “premium.” Note, however, that if a game maker is involved as a sponsor, rather than as an organizer, this could be considered incidental to the transaction.<sup>11</sup>

(ii) If the game is a free-to-download app, and in-game purchases do not influence gameplay strength at all, then this arrangement does not violate premium regulations.<sup>12</sup>

(iii) For paid download game titles, if the prize money is offered as “remuneration for work” to enhance the competitiveness and entertainment value of esports tournaments by professional esports players, celebrities, etc., it does not conflict with premium regulations.<sup>13</sup> For instance, a format could involve holding qualifying rounds, with top contenders earning the right to compete in a final tournament with prize money. Alternatively, participants might be high-skill players, like previous tournament winners or entertainers and famous streamers, known for their engaging play style, and offering prize money to these individuals as compensation for their work is another viable approach.

---

<sup>10</sup> “Legal Issues in eSports Q&A”, edited by the eSports Issues Study Group, p.33-34 (*Minjiho Kenkyukai*, 2021)

<sup>11</sup> See, “Standards of Practice for Notification of Designation of Premiums” by the Consumer Affairs Agency (2024)

<sup>12</sup> Japan Esports Union, “Let’s learn the Laws and Enjoy eSports! Simple eSports Manual” (2021) : <https://jesu.or.jp/wp-content/themes/jesu/contents/pdf/terms/holding-manual20211108.pdf>

<sup>13</sup> “Legal Issues in eSports Q&A”, edited by the eSports Issues Study Group, p.38 (*Minjiho Kenkyukai*, 2021)

# MORI & PARTNERS

Roppongi Hills North Tower 16F 6-2-31 Roppongi, Minato-ku Tokyo 106-0032 Japan

TEL: 03-6831-9281 FAX: 03-6800-5542

<https://mps-legal.com/>

## 2.2 Gambling Offences under the Penal Code

Awarding prize money to winners in esports tournaments, funded by entry fees from participating players, may be classified as “gambling” under the Penal Code.<sup>14</sup>

If participation in an esports tournament is classified as “gambling,” players involved could face a fine of up to 500,000 yen (with habitual gambling leading to potential imprisonment of up to three years).<sup>15</sup> Furthermore, organizers of such tournaments risk imprisonment from three months to five years for operating a gambling establishment for illicit purposes.<sup>16</sup>

### 2.2.1 Does an Esports Tournament Constitute “Gambling”?

“Gambling” as defined in the Penal Code refers to an act of (a) contending for gain or loss of goods or property benefits (b) based on chance outcomes.<sup>17</sup>

In Esports, while player skill is the primary factor determining success, any presence of chance—where outcomes are not entirely under control—implies that chance is a factor, and victories could be perceived as chance-based. Furthermore, if the prize money is collected from participants’ entry fees, the scenario becomes akin to gambling, where the winner profits from these fees while others experience losses.

Thus, if an Esports tournament involves collecting entry fees and awarding them to winners based on game outcomes, it may be classified as “gambling.”<sup>18</sup>

### 2.2.2 Solutions to Avoid Gambling Classification

First, the act penalized by the Penal Code is collecting entry fees from participants and awarding them to winners based on game outcomes. Therefore, if no entry fee is collected from the players, it does not constitute “gambling.”

Second, even if entry fees are collected, if they are solely used to cover operational costs and prize money is funded by sponsorship fees from third parties (e.g., sponsors),

---

<sup>14</sup> Article 185 of the Penal Code

<sup>15</sup> Article 185 and Article 186, Paragraph 1 of the Penal Code

<sup>16</sup> Article 186, Paragraph 2 of the Penal Code

<sup>17</sup> “The Penal Code – Specific Offences (2nd Edition)”, Atsushi Yamaguchi, Yuhikaku (2010), p517

<sup>18</sup> “Legal Issues in eSports Q&A”, edited by the eSports Issues Study Group, p.49 (*Minjiho Kenkyukai*, 2021)

# MORI & PARTNERS

Roppongi Hills North Tower 16F 6-2-31 Roppongi, Minato-ku Tokyo 106-0032 Japan

TEL: 03-6831-9281 FAX: 03-6800-5542

<https://mps-legal.com/>

separate from participants and organizers, it does not constitute “gambling.” It is crucial to manage participation fees and sponsorship fees distinctly, using separate accounts.<sup>19</sup>

Third, to further segregate participation costs from prize distribution, ensuring that prize money is awarded directly from sponsors to players is also a viable approach.<sup>20</sup>

\* \* \*

In this article, we have focused on the Act against Unjustifiable Premiums and Misleading Representations and the gambling regulations under the Penal Code, and their impact on organizing esports tournaments in Japan. In Part 2, we will continue our exploration by delving into the Act on Control and Improvement of Amusement Business, providing detailed analysis and guidance on navigating these critical legal areas.

---

<sup>19</sup>“Legal Issues in eSports Q&A”, edited by the eSports Issues Study Group, p.50 (*Minjiho Kenkyukai*, 2021)

<sup>20</sup> “Entertainment Legal Affairs Q&A (2nd ed.)”, Entertainment Lawyers Network (2020), p. 337. See also, Japan Esports Union, “Let’s learn the Laws and Enjoy eSports! Simple eSports Manual” (2021) : <https://jesu.or.jp/wp-content/themes/jesu/contents/pdf/terms/holding-manual20211108.pdf>

# MORI & PARTNERS

Roppongi Hills North Tower 16F 6-2-31 Roppongi, Minato-ku Tokyo 106-0032 Japan

TEL: 03-6831-9281 FAX: 03-6800-5542

<https://mps-legal.com/>

## **Further contact:**



**Shinichiro ("Shin") Mori**

MANAGING PARTNER

T: [+813-6831-9282](tel:+81368319282)

E: [shinichiro.mori@mps-legal.com](mailto:shinichiro.mori@mps-legal.com)



**Kentaro Sano**

SENIOR ASSOCIATE

T: [+813-6831-9283](tel:+81368319283)

E: [kentaro.sano@mps-legal.com](mailto:kentaro.sano@mps-legal.com)