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Launching a Game in Japan: Legal and Practical Checklist for Overseas Publishers (Part 1 – Pre-Launch Preparation)

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I. Introduction: Why Japan Deserves Special Attention from Game Publishers¹

Japan is widely recognized as one of the most advanced and commercially significant digital entertainment markets in the world. According to statistics published by the Ministry of Economy, Trade and Industry (METI), the video game market has exceeded JPY 2 trillion, with online and mobile game platforms accounting for over 80% of total sales volume.² This mobile-first trend has been further accelerated by the rise of app-based monetization models, user acquisition strategies via social media, and increasingly favorable network environments such as 5G.³

However, tapping into this opportunity requires more than simply translating game content. Japan is also one of the most highly regulated jurisdictions for digital entertainment, where multiple governmental agencies and industry bodies collectively shape the legal landscape.

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² Statistics published by the Ministry of Economy, Trade and Industry (METI) on October 6, 2023, available at: https://www.meti.go.jp/statistics/toppage/report/minikaisetsu/hitokoto_kako/20231006hitokoto.html

³ Ministry of Internal Affairs and Communications (Japan), “*Current Situation and Challenges Surrounding the Broadcasting and Streaming Content Industry*”, October 2023, p. 8, available at: https://www.soumu.go.jp/main_content/000996691.pdf

These include the Financial Services Agency (regulating prepaid payment instruments), the Consumer Affairs Agency (overseeing advertising and promotional practices), and industry-specific self-regulators such as the Computer Entertainment Rating Organization (CERO). As a result, legal obligations in Japan are often fragmented across overlapping statutory regimes, with some requirements arising not from legislation but from industry consensus and administrative guidance.

In this first installment of our “Launching a Game in Japan” series, we focus on the pre-launch phase, outlining key legal and operational decisions that foreign publishers must consider before releasing their game to Japanese users.

II. Legal Entity Strategy: Choosing the Right Corporate Vehicle

A threshold question for any foreign game publisher entering the Japanese market is whether it must establish a legal presence in Japan. While Japan does not impose a general incorporation requirement for distributing mobile games via the App Store or Google Play, incorporation becomes effectively mandatory if the publisher wishes to issue Paid In-Game Currency (Paid IGC) to Japanese users. This is because the issuance of Paid IGC is regulated under the Payment Services Act, which requires that the issuer be a Japanese entity, either a registered branch or a domestic corporation.

1. Branch vs. Subsidiary: Structural and Legal Considerations

Foreign publishers typically choose between the following two options:

A. Branch Office

- Legally part of the foreign parent company
- No separate legal personality
- Simpler incorporation but more limited in liability shielding

B. Wholly-Owned Subsidiary (e.g., KK or GK)

- A fully independent legal entity under Japanese law
- Separate liability and accounting
- Slightly more setup cost and ongoing administrative burden, but recommended for publishers intending long-term or monetized operations

In practice, most overseas publishers opt for a **Kabushiki Kaisha (KK)** or **Godo Kaisha (GK)**—both types of domestic companies governed by the Companies Act.

2. KK vs. GK: Choosing the Entity Type

The table below compares the two most common types of corporate structures available to foreign publishers in Japan—Kabushiki Kaisha (KK) and Godo Kaisha (GK). While both are viable options under the Companies Act and are eligible to serve as issuers under the Payment Services Act, their characteristics differ in formality, governance, and ease of administration.

Criteria	Kabushiki Kaisha (KK)	Godo Kaisha (GK)
Legal Form	Corporation	LLC-like company
Market Perception	More formal, trusted by Japanese partners	Flexible, often used by foreign firms
Governance Structure	Board of directors possible	Simple – one or more members
Establishment Cost/Speed	Slightly Higher / Slower	Slightly Lower / Faster
Share Issuance	Allowed	Not available
Disclosure Requirements	Slightly more extensive	Minimal

Both KK and GK are eligible to become issuers under the Payment Services Act. Although KK may be perceived as more formal and may carry reputational advantages in dealings with Japanese counterparties, in our experience, foreign gaming companies tend to favor GK due to its relative ease of establishment and administrative efficiency.

3. Incorporation Procedure: Documentation

The required documentation for establishing a GK or KK in Japan may vary depending on the nature of the business and the jurisdiction of the parent company and the nationality or residency of the appointed representative. However, the following documents are generally required in most cases:

- **Articles of Incorporation** (in Japanese)
- **Affidavit or Resolution** by the parent company's authorized representative

- **Bank certificate** showing capital contribution
- **Personal identification** documents for the local representative
- **Seal (*hanko*) registration** for the company and its representative

As an alternative to establishing a new company from scratch, foreign publishers may also consider acquiring an existing KK or GK that has already been registered in Japan. In some cases, this may include a company formed and held by legal counsel for the specific purpose of client acquisition. This approach can often reduce the documentary burden—particularly when notarization, apostilles, or translations would otherwise be required—and may allow for faster operational readiness compared to incorporating a new entity.

4. Post-Incorporation Obligations

Once established, the Japanese entity is subject to several ongoing obligations, including:

- Filing a Notification of Business Commencement with the local tax office
- Submitting a Withholding Tax Establishment Notice (if applicable)
- Filing annual corporate tax returns
- Complying with applicable regulations, including but not limited to:
 - The Payment Services Act
 - The Act on Specified Commercial Transactions
 - The Foreign Exchange and Foreign Trade Act
 - Social insurance registration and contributions (if employing personnel)

Because many of the filings described above are time-sensitive and require careful coordination across legal, tax, and human resources functions, foreign publishers typically retain local counsel or professional service providers to manage ongoing compliance. It is also important to note that the items listed represent only the baseline regulatory requirements. In practice, the applicable legal obligations may extend beyond those outlined here, depending on the nature of the business model, monetization structure, and operational footprint in Japan.

III. Prepaid Payment Instruments (IGC): Structuring for Compliance

In Japan, any in-game currency that is purchased with real-world money—commonly referred to as Paid In-Game Currency (Paid IGC)—is classified as a Prepaid Payment Instrument (PPI) under the Payment Services Act (PSA). As such, issuing Paid IGC is not merely a commercial decision, but a regulated financial activity that requires proper structuring and legal compliance.

1. PSA Requirement: Issuer Must Be a Japanese Entity

The PSA mandates that only entities incorporated in Japan may serve as registered issuers of PPIs. A foreign publisher cannot directly issue Paid IGC to Japanese users from outside the country—even if the actual processing is done offshore. To comply with the PSA, the publisher must:

- Establish a Japanese subsidiary or branch, and
- Register it as a Prepaid Payment Instrument Issuer with the Financial Services Agency (FSA) once the unused balance of Paid IGC exceeds JPY 10 million (approx. USD 65,000).

2. Deposits and Reporting Obligations

Once the JPY 10 million unused balance threshold is exceeded, the registered issuer must:

- Deposit 50% of the unused balance with the Japanese government (via the Legal Affairs Bureau's Deposit Office, or *Kyotakusho*) or enter into a security agreement with a financial institution, as a consumer protection measure;
- Submit biannual reports (by May 31 and November 30) disclosing the total issued and unused balances, validity periods, and complaint handling procedures;
- Provide a disclosure statement to users on the company's website, including information about the IGC terms, refund policy, and contact points.

Failure to meet these requirements can result in administrative penalties and, in some cases, criminal liability.

3. Paid vs. Free IGC: Distinction Is Crucial

The authority distinguishes between:

- **Paid IGC:** Purchased with real money and subject to full regulatory oversight; and
- **Free IGC:** Granted through gameplay achievements, login bonuses, or events, and not subject to registration or deposit requirements.

However, this distinction is only valid if:

- Users can visually differentiate Paid and Free IGC in the game UI (e.g., icons, colors, labels); and
- The company separately tracks both types in its accounting and internal systems.

If the two are not clearly distinguished, Free IGC may be treated as Paid IGC under the PSA, triggering unexpected registration and deposit obligations.

4. Strategic Note

Many overseas publishers underestimate the regulatory complexity associated with in-game monetization. The PSA regime is not unique to Japan in spirit, but it is unusually stringent in practice, especially with regard to reporting, deposits, and refund obligations. Getting the IGC structure wrong can delay launch or even trigger enforcement.

IV. Game Content and Platform Considerations

Game content distributed in Japan—particularly if it involves violence, suggestive themes, or randomized reward mechanics—is subject to both formal and informal forms of regulation. Although Japan does not have a central content censorship authority, developers must navigate a mix of platform policies, industry self-regulation, and cultural expectations.

1. CERO Rating: When Is It Required?

The **Computer Entertainment Rating Organization (CERO)** is Japan's primary self-regulatory body for rating console and physical software titles. However, CERO ratings are not legally required under Japanese law. Instead, they function as a platform-mandated requirement:

- For console titles (PlayStation, Nintendo Switch, Xbox), obtaining a CERO rating is effectively mandatory, as platform holders typically require it before allowing distribution.
- For mobile games, a CERO rating is not required, and compliance with Google Play and Apple App Store's own age rating systems is normally sufficient.

Thus, mobile publishers can generally avoid the CERO process unless they plan a multi-platform release including console formats or physical retail distribution in Japan.

2. Content Sensitivities: Legal and Cultural Considerations

Although Japan does not impose strict prior review of in-game content, certain themes and mechanics are subject to public and regulatory scrutiny, especially if they are seen as inappropriate for minors or ethically problematic:

Themes that generally require caution are as follows:

- **Graphic violence or sexual content:** While not banned, these may trigger age restrictions or community backlash;
- **Gambling-like mechanics:** Random reward systems (e.g., gacha, loot boxes) may

raise concerns under the Act Against Unjustifiable Premiums and Misleading Representations, particularly if odds are not disclosed;

- **Depictions of criminal behavior, suicide, or self-harm:** These can result in content warnings or demands for modification, especially if not clearly fictionalized.

V. Checklist: Are You Ready for the Launch?

Before launching a mobile game in Japan, foreign publishers should ensure that all core legal and operational components are in place. The following checklist summarizes the key pre-launch items discussed in this article. That said, this list reflects only the minimum baseline requirements. Depending on the specific nature of the game—its content, monetization model, target audience, and delivery platform—additional legal obligations or industry guidelines may apply.

Moreover, the regulatory landscape governing games in Japan is complex and continuously evolving, particularly in areas such as in-game purchases, advertising practices, user data handling, and protection of minors. Accordingly, it is strongly recommended that publishers consult with legal counsel to confirm the latest applicable requirements before releasing their title to the Japanese market.

1. Legal Entity Registered

- ✓ Has a Japanese subsidiary or branch been established?
- ✓ Has the entity completed corporate registration, tax notifications, and other foundational procedures?

2. IGC Structure Determined

- ✓ Has the legal role of the Japanese entity as issuer of Paid IGC been formally defined?
- ✓ Is documentation in place to clarify responsibilities between HQ and the Japanese entity?

3. Platform Rating Compliance Confirmed

- ✓ Have all platform-specific rating requirements (Google Play, Apple App Store Japan) been satisfied?
- ✓ Is a CERO rating required, and if so, has the application been submitted and approved?

4. IP Licenses Cleared

- ✓ Are all intellectual property rights—including character designs, music, and in-game

content—licensed or owned by the publisher?

- ✓ Are license agreements properly localized and enforceable in Japan, especially if third-party IP is involved?

5. Deposit & PSA Filings Planned

- ✓ Has the publisher assessed whether the JPY 10 million threshold for unused Paid IGC is likely to be exceeded?
- ✓ If so, are the FSA registration process, legal deposit (*Kyotaku*) procedures, and disclosure requirements on track?

6. User Agreements and Disclosures in Place

- ✓ Are Terms of Service, Privacy Policies, and other user-facing documents clearly presented in Japanese?
- ✓ Do they include all mandatory disclosures (including but not limited to those under the Payment Services Act and the Act on Specified Commercial Transactions)?

VI. Conclusion

Japan offers one of the most commercially attractive markets for mobile game publishers—but it also presents a dense and sometimes opaque legal environment. As this article has illustrated, even before a single user downloads the game, publishers must navigate a web of structural, financial, and regulatory issues that go far beyond mere localization of language or design.

To succeed in Japan, publishers must build compliance into their launch strategy from the outset. This means choosing the right legal entity, assigning regulatory roles clearly between domestic and overseas teams, ensuring platform alignment, and preparing for the obligations that come with issuing Paid In-Game Currency under Japan's Payment Services Act.

Approaching these requirements as an integral part of the core business strategy—not as post-launch housekeeping—can reduce regulatory friction, avoid delays, and enhance credibility with Japanese users, regulators, and partners.

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