

Overview of Casino Regulations

Restrictions on Entry by Licensing

- **Wide range of entry restrictions**
Not only casino business operators, their officers and employees, but also shareholders, facility land right holders, game machine manufacturers and certain transactions are also regulated and supervised by applying a licensing system.
- **Investigation of social credibility**
In order to ensure a high level of integrity such as thorough elimination of organized crime group members strict entry requirements are established. It is checked whether a person has sufficient social credibility in the investigation.
→ For effective implementation of such checks, questionnaires and written consent are required to be submitted.

Regulations on Casino Facilities and Devices

- **Regulations on the number and size of facilities**
 - The maximum number of IR districts is 3.
 - The number of casino facilities is 1 per IR.
 - The maximum floor area for gaming areas is 3% of the total floor area of the IR facility.
- **Standards on the structure and equipment of facilities**
To maintain public order and ensure safety at casino facilities, standards on hardware aspects such as structure and equipment are established.
- **Standards on casino-related devices, etc.**
To prevent wrongful casino gaming, the quality, performance, etc., of devices must be secured.

Regulations, etc., of Casino Business Activities

- **Regulations on casino gaming**
 - In consideration of the examples abroad, types of casino gaming are limited to table games (21 categories in 9 types) and games played on electronic game machines, which are deemed to be appropriate in light of socially accepted conventions from the viewpoint of ensuring trust and gaining understanding of citizens in the sound operation of casino business, and the rules of those games are stipulated.
 - For such purpose as securing the fairness of casino gaming, standards for casino gaming are stipulated.
- **Regulations, etc., on IR business including casino business**
 - In order to ensure the financial soundness and public interest of the IR business as a whole, obligations of separate accounting for gaming and other statutory non-gaming services, audits by auditors, submission and public notice of financial reports are imposed.
 - Payment to the national treasury (15% of gross revenue from casino gaming (GGR) and burden of expenses for casino management by the JCRC) and payment to certified prefectures, etc. (15% of GGR)
- **Regulations on casino business**
 - Regulations on business such as regulations on casino gaming and financial services, as well as establishment of an internal control system, such as an operational method statement.

Response to Concerns

Measures for Prevention of Addiction (Multilayered and Multistep Efforts)

- **Restriction on opportunities** (regulations on the number and size of facilities, regulations on casino gaming, etc. <as set forth above>)
- **Regulations on attracting customers**
 - Regulations on advertising and solicitation (prohibition of distribution of fliers outside an IR district, etc.)
 - Regulations on premiums related to casino gaming (comps)
- **Strict restriction on entrance for residents and Japanese nationals**
 - Identity confirmation by methods of individual number cards and others.
 - Restriction on the number of entries (3 times in the past 7 days; 10 times in the past 28 days)
 - Imposition of admission fees (6,000 yen per time)
- **Regulations in a casino facility**
 - Prohibition of ATM installation
 - Regulations on loan (mandatory deposit of 10 million yen or more in a casino account)
- **Efforts to promote consultation and treatment**
 - Measures under the Regulations on Prevention of Addiction (such as restriction measures based on the declaration by visitors or family members)

Anti-money Laundering Measures

- **Regulations under the Act on Prevention of Transfer of Criminal Proceeds**
 - Mandatory verification at the time of transaction, etc.
- **Additional regulations under the Act on Development of Specified IR Districts**
 - Examination of applicant's anti-money laundering program as part of license approval process
 - Mandatory reporting of cash transactions in excess of 1 million yen
 - Regulations on transfer, acceptance, and taking out of chips

Exclusion of Organized Crime Group Members, etc.

- **Exclusion from casino business operators, etc.**
- **Exclusion from visitors to casino facilities**

Sound Development of Youth

- Prohibition of entry of persons under the age of 20, restrictions on advertising and solicitation, etc.

Outline of Regulations 1. Restrictions on Entry by Licensing, etc.

Licenses for Casino Business and Casino Facility Provision Business, etc.

(1) Standards for casino business license (renewal system on 3-year term basis) (excluding (2) below)

Examination on (i) applicant's ability to perform services, (ii) sufficient financial basis for sound execution of business and good prospects for income and expenditure, (iii) compliance with standards of the number and area of casino facilities (iv) compliance with technical standards of casino facilities and casino-related devices, (v) compliance with laws and regulations and standards of internal control rules, and (vi) whether related services in casino gaming operation areas will not adversely affect sound business operation

(2) Securing and investigation of social credibility

- As one of the standards for licensing, in addition to the grounds for disqualification such as falling under an organized crime group member, **"sufficient social credibility"** is stipulated as a requirement for the applicant business operator (including officers), major shareholders, etc. (including officers in the case of a corporate body, etc.), facility land right holders (including officers in the case of a corporate body) and persons who have a dominant influence through transactions, etc.
- Upon application for license, the **investigation** is conducted to determine whether those relevant persons have sufficient social credibility.
- For the purpose of effective implementation of investigations and ensuring the foreseeability of persons subject to examination, **questionnaires** (that set forth questions on information regarding persons subject to examination (record of past criminal and administrative dispositions, financial status, etc.) and necessary information regarding other socially/economically related persons (relatives, affiliated corporations, etc.)) and **written consents** (written consents on the provision of personal information by a third party such as a public office, etc.) are required to be submitted as attachments to an application for license.
 - The same stipulation (excluding certain standards) as that applicable to casino business operators exists for casino facility provision business operators that are responsible for construction, ownership, and maintenance of facilities in the case of separating the ownership and operation of a casino facility.

(3) Confirmation of employees

- Only persons who have obtained a confirmation (renewal system on 3-year term basis) may engage in services involving casino gaming, etc., and services of supervising such services (specified casino services).
- The JCRC examines whether a person that is the subject of an application has the ability to accurately perform specified casino services engaged thereby and sufficient social credibility.

Major Shareholders of Casino Business Operators and Facility Land Right Holders

(1) Major shareholders, etc.

- Those who are to be authorized : Persons who intend to hold 5% (major shareholder threshold) or more of the voting rights, etc. (voting rights or shares or equity interests), of a casino business operator through transactions, etc., at their own will (or holders of such proportion in the case of a business license), and persons who have come to hold such proportion by Inheritance, etc., without their intention.
- In addition to examination on whether major shareholders, etc., have sufficient social credibility, casino business operators are required to take necessary measures to ensure that all holders of voting rights, etc., have sufficient social credibility and to regularly submit documents stating shareholders, etc., to the JCRC.
 - * The same stipulation as that applicable to casino business operators exists for casino facility provision business operators.

(2) Facility land right holders

- Those who are to be authorized : Persons who intend to acquire the ownership rights, surface rights, or any other rights to land in an IR district (or right holders in the case of a business license)

Permission for Manufacturing and Other Business of Casino-Related Devices, etc.

- Manufacturing capacity, high integrity, normative consciousness, and strict management system of business operators engaging in the manufacturing, import, sale, leasing, maintenance, and repair of casino-related devices, etc. (manufacturers, etc. of casino-related devices, etc.), is secured by means of a licensing system (or a certification system in the case of foreign manufacturers of casino-related devices, etc.) (under a 3-year renewal system). To secure sufficient social credibility, the same social credit survey as that for casino business operators is conducted.
- Even after permission is granted, it is required to keep records regarding the management of casino-related devices, etc., and have persons engaging in specified services, etc., for manufacturing casino-related devices, etc., confirmed by the JCRC for the purpose of prevention of unauthorized alteration and outflow.

Outline of Regulations 2. Regulations on Casino Facilities and Devices

Compliance with the following requirements with respect to the number and size of casino facilities and with technical standards for casino facilities and casino-related devices, etc. is examined for licensing.

Number and Size of Facilities

- **The maximum number of IR districts is 3, and the number of casino facilities is 1 per IR.**
- The total floor area of the gaming areas is **within 3% of the total floor area** of the buildings in a specified integrated resort.
- The gaming area is a part of the casino gaming operation area excluding “cages, areas of voucher refund machines, rooms for carrying out services related to the measures in accordance with the Regulations on Prevention of Addiction, rooms for carrying out services related to the handling of complaints, information center, etc., exclusive part for intra-area related services, passages and stairs, etc., lavatories, exhibition parts for art, etc., smoking rooms and parts that are deemed by the JCRC to be unlikely to be used for casino gaming.”

Structure and Equipment of Facilities

- In relation to the technical standards for the structure and equipment of casino facilities, matters related to **the basic structure** such as restrictions on the visibility from outside to inside and the **equipment** to be installed such as monitoring equipment are stipulated in the rules of the JCRC.
- From the viewpoint of preventing crimes, the illuminance must exceed 150 lux in the gaming area, cages, and areas of voucher refund machines and 10 lux in the rest of casino gaming operation areas.

Standards for Casino-Related Devices, etc.

- In relation to casino-related devices (including tools, programs and recording media), the following types of devices, etc., and uses thereof are stipulated.
 - Electronic or magnetic casino-related devices,: Electronic game systems, electronic table game systems, dealer operated electronic table game systems, client server game systems, progressive systems, trump shufflers, electronic dealing shoes, electronic dice shakers, voucher refund machines and casino management systems (10 types in total)
 - Non-electronic or non-magnetic casino-related devices,: Chips for table games, tournament chips, playing cards, pre-shuffle multi-decks, dealing shoes, dice, roulette wheels, roulette balls, wheels for Money Wheel and Pai Gow tiles (10 types in total)
- In relation to **the technical standards for electronic or magnetic casino-related devices**, and **the technical standards for non-electronic or non-magnetic casino-related devices**, matters for ensuring the fairness of casino gaming, etc., are stipulated for each type, with reference to standards in foreign countries.
 - Example)
 - Electronic game system: Door access detection function, program storage device verification function, and recording of accounting information (acceptance and delivery of vouchers), etc.
 - Playing cards: The contents written on the face are not to be guessable from the back, and cards have been processed for scratch resistance.
- Electronic or magnetic casino-related devices, are required to be inspected by the JCRC to confirm that the types of the devices comply with the technical standards and that the equipment, systems, etc., for manufacturing devices, of the relevant types comply with the standards (**type Approval**).
- Non-electronic or non-magnetic casino-related devices, are required to be checked by the manufacturer, etc., for itself in terms of compliance of those devices, manufactured or imported with the technical standards (**autonomous confirmation**).
- The JCRC may have a person designated thereby (designated testing body) conduct all or part of affairs concerning the implementation of necessary testing for approval.

Outline of Regulations 3. Regulations on Casino Business Activities

Regulations on Casino Gaming

- The types of **casino gaming** stipulated are those that are deemed to be appropriate in light of socially accepted conventions from the viewpoint of ensuring trust and gaining understanding of citizens in the sound operation of casino business taking into account the examples abroad, among the following:
 - activities of competing for the acquisition or loss of money under conditions of chance,
 - activities between a casino business operator and customers or between customers, and
 - activities in the same facility using devices or tools established therein
- The types of casino gaming are **table games (21 categories in 9 types)** and **games played on electronic game machines**, and the rules for those games (implementation procedures, odds, etc.) are prescribed.
 - **Table games:** Baccarat (2 categories), Twenty-One (4 categories), Poker (8 categories, two of which are between customers and one of which is a tournament between customers), Casino War, Craps, Sic-Bo, Roulette (2 categories), Money Wheel and Pai Gow
 - **Games on electronic game machines:** Electronic games, electronic table games, and dealer operated electronic table games
- In order to ensure the fairness of casino gaming or prevent customers' desire for gains by chance from being unduly instigated, **standards for casino gaming** are stipulated, including development of a monitoring system, prevention of activities that might affect the fairness and encouragement of temporary suspension for customers who are absorbed in casino gaming, considering the examples of regulations in foreign countries.

Regulations on IR Business Including Casino Business

- **An auditor** must be appointed to audit the IR business including casino business. An audit report must be prepared for each business year.
- **A financial report**, an internal control report on financial reporting and a quarterly report are required **to be submitted to the national government and be publicly noticed**. These reports should be audited by an independent certified public accountant or auditing firm.
- Accounting for casino services, related services in casino gaming operation areas, services for respective IR facilities other than the casino facility(*) and other services must be separately managed (separate accounting).
 - *Services for international conference center facilities, exhibition, etc., facilities, attractiveness enhancement facilities, passenger delivery facilities, accommodation facilities, visitation and stay promotion facilities

Regulations on Casino Business (Development of Internal Control System, etc.)

- In order to ensure the appropriateness of services, **business operators are required to develop an internal control system**, which is examined for a license or is to be notified.
 - **Articles of Incorporation** (basic rules on the purpose, internal organization, and activities of a corporate body)
 - **Operational method statement** (basic standards governing business operation)
 - **Rules of conduct** (stipulating the development of a system for education and training for employees, and appointment, etc., of persons who exercise overall control over services and persons who audit services, in relation to basic and core matters such as **casino gaming, entrance regulations, specified financial services, contracts, advertisement and solicitation, premiums related to casino gaming (comps), public order maintenance, handling of complaints, and securing of sufficient social credibility in employees, etc.**)
- It is examined whether the **General Conditions for Use of Casino Facility** conform to laws and regulations and the standards specified by the rules of the JCRC (including whether the descriptions therein are clearly stipulated for visitors from the viewpoint of securing the soundness of casino business and whether matters related to measures for prevention of addiction, entrance/exit and identity confirmation, regulations on casino gaming, specified financial services, anti-money laundering measures, premiums related to casino gaming (comps), etc., are described).

Outline of Regulations 3. Regulations on Casino Business Activities

Regulations on Casino Business

(1) Restriction on entrance

- Entry to and stay in a casino facility is prohibited for persons under 20 years of age, organized crime group members, etc., persons who have not paid the admission fees, and persons who have reached the maximum number of entries.
- When entering or exiting from casino gaming operation areas, identification information and the fact that the person is not prohibited from entering the casino facility are confirmed by means of an individual number card, and others.

(2) Specified financial services

- A borrower **must be a non-resident foreigner, or a Japanese national, etc. who has deposited 10 million yen or more in a casino account.**
- A limit of loan is set for each customer by reference to credit and other information. Any loan contract exceeding such limit of loan is prohibited.
- In the case of provision of specified fund transfer services upon request of a customer, fund transfer may be made only between accounts in the same customer's name.

(3) Related services in casino gaming operation areas

- Related services in casino gaming operation areas (such as provision of food and drink, song shows, and other entertainment services) must be services convenient for customers and for which prior approval has been obtained.

(4) Authorization of contracts and other restrictions

- All contracts are required to comply with the standards such as **that the counterparty, etc., to the contract is a person with sufficient social credibility and the counterparty to the contract must not fall under any cause for disqualification.**
- Any contract regarding casino services or related services in casino gaming operation areas, any other contract for entrustment of services, fund procurement or lease of facilities, or any other contract for a period exceeding 1 year or for an amount exceeding 300 million yen requires approval of the JCRC.

(5) Restriction on entrustment of services

- **Entrustment of casino services is prohibited** except for the following:
 - Services related to maintenance, repair and other management of casino-related devices, etc.
 - Services related to collection of claims under specified loan contracts
 - Services that have little impact on the sound operation of casino business, such as services related to the detection of inappropriate persons from the viewpoint of measures for prevention of addiction

(6) Regulations on Advertising and Solicitation (**applicable to all persons** without limitation to casino business operators)

- False or exaggerated indications and explanations, indications and explanations that cannot be proved as objective facts, indications and explanations that are likely to harm good morals or damage a clean moral environment are prohibited.
- **Display of advertising materials or distribution of fliers, etc., in areas outside an IR district** except for entry areas, etc., of airports or distribution of **fliers, etc., to persons under the age of 20** in an IR district, etc., is prohibited.

(7) Regulations on premiums related to casino gaming (comps)

- **Provision of comps that are likely to harm good morals**, such as those whose contents, economic value and/or method of provision are likely to unduly instigate the desire for gains by chance, **is prohibited.**

(8) Measures for public order maintenance and handling of complaints

- Use of casino facilities by persons who are deemed to be inappropriate to use casino facilities is prohibited or restricted in order to maintain the public order in and around casino facilities.
- For appropriate and prompt handling of complaints, it is required, for example, to prepare and keep records and investigate causes of complained matters without delay.

Response to Concerns (1) Outline of Measures for Prevention of Addiction

Overview of Measures for Prevention of Addiction under the Integrated Resort District Development Law

Multilayered and Multistep Efforts

Before Entry to a Casino Facility

Limitation on Opportunities

Regulations on attracting customers

At the Time of Entry to a Casino Facility

Strict Admission Control

In a Casino Facility

Regulations in Casino Facility

Uniform national regulation for prevention of addiction

Efforts to Promote Consultation and Treatment

Measures according to individual circumstances of users

Measures towards the general public

- Limitation on the number of IR districts (**up to 3**)
- Limitation on the number of casino facilities (**1 facility in each IR**)
- Limitation on the size of gaming area (**3% of the total floor area of an IR facility**)
- **Limitation on casino gaming** in the gaming area

Measures towards persons who can use casino facilities

- Regulations on advertising and solicitation (prohibition of distribution of fliers outside an IR district, etc.)
- Regulations on premiums related to casino gaming (comps) (prohibition of provision of comps that are likely to harm good morals)

Measures to restrict visitors from the viewpoint of appropriate use of casino facilities

- Restriction on the number of times of entries (**3 times in the past 7 days; 10 times in the past 28 days**)
- Strict identity confirmation by means of **individual number cards**, and others
- Prevention of use of casino facilities by persons who are prohibited from entering casino facilities
- Imposition of admission fees (**6,000 yen per time**)

Measures towards visitors to casino facilities

- Description in the General Conditions for Use of Casino Facilities and display at the entrance of the identity confirmation area and the casino gaming operation areas of use restriction measures, based on the declaration by visitors or their family members, etc.
- Standards for casino gaming (such as encouraging customers who are absorbed in casino activities to temporarily suspend their activities)
- Restriction on payment methods at the time of delivery of chips, and use of a credit card
- Prevention and prohibition of transfer of chips, etc.
- Regulations on casino-related devices, etc.
- **Regulations on loans (mandatory deposit of 10 million yen or more in a casino account)**
- **Prohibition of ATM installation**

Measures taken by casino business operators in accordance with the Regulations on Prevention of Addiction

- **Use restriction measures based on the declaration by visitors or their family members**
- Use restriction measures against other persons who are found to be inappropriate to use casino facilities
- Measures for helping visitors make an appropriate judgment
- Other measures (cooperation in actions of the national and local governments necessary for measures against gambling addiction)

Response to Concerns (2) Outline of Anti-money Laundering Measures

Regulations under the Act on Prevention of Transfer of Criminal Proceeds

Casino business operators were added to the scope of application of the Act on Prevention of Transfer of Criminal Proceeds upon amendment of the act and are required to take the following measures:

- **Verification at the time of transaction (The following transactions were added as transactions requiring verification at the time of transaction.)**
 - Opening of a casino account - Conclusion of a loan agreement - Acceptance of money in a casino account
 - Delivery of chips, etc., refund of money from a casino account, receipt of payment of loan claims, exchange of money, provision of comps (in excess of 300,000 yen in each case)
- **Preparation and keeping of verification records, preparation and keeping of transaction records.**
- Reporting of suspicious transactions, etc.

Additional Regulations under the Act on Development of Specified Integrated Resort Districts

1. Through the process for license approval, an anti-money laundering program is examined by the JCRC

- An anti-money laundering program is required to include the following items:
 - Matters related to appropriate implementation of verification at the time of transaction
 - Matters related to the method of judgment on reporting of suspicious transactions
 - Matters related to measures to keep the matters verified at the time of transaction up to date, education and training of employees, measures related to the development of an internal control system, measures to prevent the transfer, etc., of chips and matters related to the reporting of cash transactions

2. Mandatory reporting of cash transactions

- Casino business operators **are required to report certain cash transactions with customers (regarding exchange for chips, etc.) in excess of 1 million yen to the JCRC.** [Penal Provision: Article 241, item 11 of the Act (Fine of not more than 1 million yen)]
 - * The JCRC reports information on reported transactions exceeding 1 million yen and suspicious transactions to the National Public Safety Commission.

3. Regulations on transfer, acceptance, and taking out of chips

- Customers **are prohibited from transferring or receiving chips to or from other customers** (excluding relatives who share the same livelihood) or **taking chips out of the casino gaming operation areas.** [Penal Provision: Article 239, Paragraph 2, Item 2 of the Act (Imprisonment with work for not more than 1 year or a fine of not more than 1 million yen, or both)]
- Casino business operators are required to take necessary measures (such as surveillance by patrol and surveillance cameras, customers' declaration on whether or not they will take chips out and determent of prohibited activities) to prevent chips from being transferred between customers or taken out of the casino gaming operation areas.

Response to Concerns (3) Outline of Exclusion of Organized Crime Group Members, etc.

Exclusion of Organized Crime Group Members, etc., from Casino Business Operators

1. In relation to licensing of casino business, the following personal requirements are stipulated.

- (1) Person with sufficient social credibility
- (2) **Person who does not fall under the definition of an organized crime group member or a person who ceased to be an organized crime group member less than 5 years ago** (hereinafter referred to as “organized crime group member, etc.”)

<Persons to be examined in respect of the above personal requirements>

- Applicants for casino business license and their officers, etc.
- Major Shareholders, etc. (holders of 5% or more of voting rights or shares, etc.), and their officers, etc.
 - * In addition, casino business operators are required to take necessary measures to secure sufficient social credibility of shareholders, etc. (such as measures to restrict the holding or transfer of shares, etc.), and to regularly submit a shareholder registry, etc.
- Facility land right holders and their officers, etc.
- Persons engaging in casino services, etc.
- Counterparties to contracts and their officers, etc.
 - Necessary investigation is also conducted with respect to other persons who are deemed necessary to be investigated for the examination on the “sufficient social credibility” of the above persons to be examined.

2. Further, in relation to licensing of casino facility provision business, permission of manufacturing and other business of casino-related devices, etc., certification of foreign manufacturing business of casino-related devices, etc., designation of a designated testing body, etc., personal requirements similar to those set forth in 1 above are stipulated.

Exclusion of Organized Crime Group Members, etc., from Visitors to Casino Facilities

- (1) Organized crime group member, etc., are prohibited from entering or staying in a casino facility.

[Penal Provision: Article 237, Paragraph 2, Item 1 of the Act (imprisonment with work for not more than 3 years or a fine of not more than 3 million yen, or both)]

- (2) Casino business operators are prohibited from allowing organized crime group member, etc., to enter or stay in a casino facility.

[Penal Provision: Article 237, Paragraph 1, Item 6 of the Act (imprisonment with work for not more than 3 years or a fine of not more than 3 million yen, or both)]

- (3) Casino business operators are required to take measures to prohibit or restrict use by inappropriate persons as a measure to maintain the public order in and around casino facilities.