



**JAPANESE ESPORTS ON THE RISE:  
FIVE TEAMS TO WATCH**

Free Downloadable Report  
February 2023

## About Niko Partners

We are a market research and consulting firm covering video games, esports, and streaming throughout Asia, including China, East Asia, Southeast Asia, South Asia (India) and West Asia (Middle East). We provide qualitative and quantitative data collection and analysis, market models, forecasts, and strategic advisory services to give you the intelligence and answers you need to truly understand the region. Founded in 2002, we have helped game publishers, platforms, hardware makers, esports, payments providers, hedge funds, consulting firms, and consumer brands — in the West and in Asia — understand and succeed in the world's largest and fastest growing games markets.

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## Introduction

Japan is a video game superpower, with world-class video game franchises such as *Zelda*, *Final Fantasy*, and *Street Fighter*, to name only a few. However, in the field of esports, Japan has historically lagged behind development in countries including China, South Korea, and the United States. In recent years however, the growth of esports teams in Japan has been remarkable, and Japan is quickly becoming an important and unique esports market.

Niko Partners [estimates that the esports industry in Japan generated \\$69.4 million in 2021](#), growing by 11% to \$77 million in 2022, or nearly 10 billion yen. The [Japan Esports Union \(JeSU\) has published similar predictions](#), valuing the market at approximately 7.8 billion yen in 2021 and growing to 11.6 billion yen in 2022. We note that JeSU's prediction does not include team revenues, meaning the actual impact on the market may be higher in their estimation.

*A database of Japan's esports industry, teams, tournaments, sponsors and more is available in Niko Partners' [Esports Tracker](#). [Subscribe now](#).*

Esports was not a developed market in Japan before 2019 for three key reasons. First, prize pools were capped and regulated like gambling earnings, making it impossible for professional tournaments to operate in Japan. Second, there were no policies promoting the development of the domestic esports sector. Third, and most importantly, esports has been and continues to be primarily a marketing channel for the developers of the titles used in competitions. Japanese developers generally do not develop games in the genres played in esports, such as MOBA and Battle Royale. Giants including Nintendo have not had esports titles, and even have even sought to limit esports competitions featuring their games.

The momentum of esports globally is so strong that a gaming powerhouse such as Japan had to eventually join the excitement. Through policy changes, investment flowing into Japan's esports market, and strong domestic excitement around streaming and esports, Japan has become an esports market to watch. We see the future of esports in Japan as very bright.



2022 VALORANT Champions Tour Challengers Japan Stage 2, © [Manabu Okayasu](#)

## Building an Esports Ecosystem

Much growth in the Japanese esports market is attributed to regulation and policy changes. In 2019 Japanese authorities eliminated most of the legal restrictions on esports and large tournaments and leagues that offer high prize money for both domestic and global game titles, regardless of game genre. Historically, prizes were regulated as an anti-gambling measure, but had the added effect of restricting esports competition.

For more insights on esports and livestreaming in Japan—its growth drivers, trends and ecosystem—check out Niko Partners' [Esports in Asia report](#).

Another factor was the establishment of the JeSU. JeSU was formed by consolidating three Japanese esports organizations: the Japan eSports Association, the eSports Promotion Organization, and the Japan eSports Federation, with added support from several other business organizations including the Computer Entertainment Suppliers Association (CESA), Japan Online Game Association (JOGA), Japan Amusement Machine and Marketing Association (JAMMA), and the Association of Media in Digital (AMD), as well as a number of game companies. Using professional player and professional team licenses, JeSU was able to navigate prize regulations and support the growth of an esports ecosystem in Japan.

This has given rise to a growing number of domestic esports leagues and tournaments, for example, the PUBG Mobile Japan League (PMJL), sponsored by NTT docomo, a major Japanese telecommunications carrier. PMJL, an esports league with 16 teams, and the annual champion is awarded 100 million yen (\$700,000). In addition, emerging titles such as *Apex Legends* from Electronic Arts, *Rainbow 6 Siege* from Ubisoft, and *Valorant* from Riot Games are tremendously popular, and players in these titles are beginning to establish themselves as true talent on a global scale. Finally, mobile esports are also popular in Japan, with *Knives Out*, *PUBG Mobile*, and *Brawl Stars* as key examples. Niko Partners track esports leagues in Japan and across Asia in our [Esports Tracker](#).

Under these circumstances, teams with popular players are attracting the attention of investors, sponsors, and fans. Historically, Japan's top esports teams and players have struggled to exist solely on their esports income. In recent years, however, esports teams have been raising funds and participating in major capital events one after another, and investment in esports teams is increasing.

In this report, we will introduce 5 of the most promising and valuable esports teams in Japan today, including interviews with management team members. The goal of this report is to explain what makes Japan one of the fastest growing and most promising esports markets in Asia.

## 5 Teams to Watch in the Growing Japanese Esports Market



**Esports industry revenue:** revenue generated by sponsorship, media licensing and team franchising, ticketing, merchandising, and livestreaming income for tournaments; excluding esports game sales, in-app purchases, and other microtransactions.  
**The esports revenue indicated in the graph is for the overall Japan market as defined;** not only for the five teams listed above.

[www.nikopartners.com](http://www.nikopartners.com)

Source: Niko Partners

## 5 Team Profiles at a Glance

Team Name	Titles Represented	Results in International Matches	Talent/ Streamers	Website
<b>Crazy Raccoon</b>	<i>APEX, Clash Royale, Fortnite, Valorant, Super Smash Bros.</i>	[Valorant] Qualified - VCT Champions 2021 Berlin  [Apex Legends] ALGS Championship 32nd	20 Creators	<a href="https://crazyraccoon.jp/">https://crazyraccoon.jp/</a>

## Asia Games Market Intelligence: Japanese Esports on the Rise

<b>Detonation FocusMe</b>	<i>League of Legends, Valorant, APEX, PUBG Mobile, Shadowverse, Splatoon3, Super Smash Bros., eFootball, Fighting Games (SFV, Others)</i>	[League of Legends] Best of 16 - LCS 2021	2 Creators	<a href="http://team-detonation.net/">http://team-detonation.net/</a>
<b>FENNEL</b>	<i>Knives Out, APEX, IdentityV, Valorant, LoL: Wild Rift</i>	[Valorant] 1st place - Game Changers EAST ASIA	11 Creators	<a href="https://fennel-esports.com/">https://fennel-esports.com/</a>
<b>SCARZ</b>	<i>APEX, IdentityV, Rainbow 6, PUBG Mobile, COD Vanguard, COD Mobile, Honor of Kings, Fortnite, Winning 11</i>	[Apex Legends] EMEA ALGS 2021	9 Creators	<a href="https://www.scarz.net/about_eng/">https://www.scarz.net/about_eng/</a>
<b>ZETA DIVISION</b>	<i>Brawl Stars, Fortnite, IdentityV, Super Smash Bros., Valorant</i>	[Valorant] 3rd place - VCT Masters Reykjavik, 2022 [Brawl Stars] 1st/2nd place - Worlds Final 2022	14 Creators	<a href="https://zetadivision.com/">https://zetadivision.com/</a>

Source: Niko Partners, in alphabetical order



## 1. Crazy Raccoon



Crazy Raccoon was established in 2018, it was originally founded as a team focused on *Fortnite*, by Epic Games. Crazy Raccoon has a strong popularity among esports teams, especially among teenagers. CR is unique since their members have their own “anime icons”, and their fans are enjoying the items sell items as icons by creating animated visuals of players/streamers and have a capital alliance with UUUM, a YouTube company." Crazy Raccoon has its official store at Shibuya of Tokyo, and it operates a free PC café for young fans.

## 2. DetonatioN FocusMe



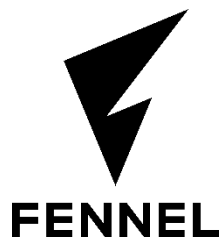
**DetonatioN FocusMe**

DetonatioN FocusMe is one of the oldest Japanese esports teams in existence, having been founded in 2013. The team is most recognized for its roster in *League of Legends*, a regular participant in world championships, and was the first Japanese team to achieve the best 16th place at Worlds in 2021.

In 2021, the team became a subsidiary of GAMEWITH, a publicly traded company that operates a game strategy website, and team management rights were transferred. Entering 2022, the company merged with the esports team owned by GAMEWITH and announced that it would be active in 2023. This precipitated a name change from DetonatioN Gaming to DetonatioN

FocusMe. Like ZETA DIVISION, it is supposed to compete in Valorant Champions Tour APAC in 2023.

### 3. FENNEL



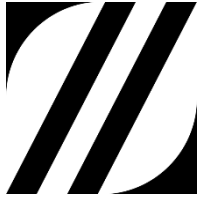
FENNEL was established in 2019 with the title *Knives Out*, a battle royale published by NetEase Games. The team is positioning itself as a lifestyle brand with an affinity for street culture by releasing apparel in collaboration with Diesel, joining OZ world, and partnering with famous musicians. FENNEL are highly competitive among emerging teams. Notably, purchasing an esports team, Rascal Jester, to enter the League of Legends Japan league (LJL) in 2023.

### 4. SCARZ



SCARZ was established in 2012 by XENOS Inc. The team is top class in terms of the number of competition divisions it fields, and their abilities. They regularly participate in world tournaments for some of its titles and have a reputation for creating strong teams. In 2022, XENOS, the management company behind SCARZ, raised funds from J. Front Retailing, which operates major department stores and joined its corporate group to enhance their popularity.

## 5. ZETA DIVISION



ZETA DIVISION was founded in 2018, and as of December 2022, owns several team rosters. The team was originally named Jupiter when it was founded but rebranded to its current team name in July 2021 with the signing of a sponsorship agreement with Nissin Cup Noodles and the participation of a star streamer, StylishNoob (a.k.a Seki Yuta). The team has an excellent exposure strategy for its players and streamers, and its apparel brand is doing very well.

ZETA DIVISION's *Valorant* and *Brawl Stars* teams have been particularly successful, with the *Valorant* team defeating the Korean team, DRX, in the Valorant Champions Tour, an international tournament, and achieving new records of No. 1 in Asia and No. 3 in the world. In *Brawl Stars*, the team has won three consecutive official world championships, with one of the finals being played between two teams from ZETA.

### Report Findings

The five teams studied here represent leading esports organizations operating in Japan. Their success is a lesson for other teams seeking to establish themselves or grow their presence in the Japanese market, as well as businesses interested in the esports landscape of Japan.

Through a review of these teams, supported by interviews with team executives from ZETA, SCARZ and DetonatioN FocusMe (DFM), we identify several factors that make Japan a unique esports market and the opportunities there.

The main sources of revenue for Japanese esports teams are (1) prize money, (2) sponsorships and partnerships, and (3) merchandise and goods. These are akin to the primary revenue streams of developed teams in other Asian markets, Europe, and the U.S. This was not the case 5 years ago. Mr. Tomori Yoichi of SCARZ explains, "Since the issues surrounding prize money

have been mostly settled, I believe that it's become a lot easier to navigate and make progress on the regulatory side of things now."

A fourth revenue stream, taking a special importance in Japan compared to the other global markets, is content partnerships. Players and streamers are increasingly appearing in promotions for games, and game-related events are held every week in online and in-person formats. There is also a growing interest in keeping streamers and content creators on the roster for esports teams.

Mr. Tomori Yoichi and Mr. Kashiwagi Toshihiro of SCARZ stated, "We want to increase the amount of content creators that we have, since esports players cannot stream when they're practicing. That way there are livestreams being done by full-time content creators in their place." SCARZ even employs creators from other key markets like EU, China, and Chinese Taipei, seeing these as cultural ambassadors for Japanese esports teams and their sponsors. Revenue from talent-like appearances at events and online is not small, and this is a unique feature of Japan compared to teams in Europe and the U.S. which have been slower to turn to international creators.

More and more teams are using video creativity for sponsor announcements, player sign-ups, and more. ZETA DIVISION is at the forefront of this trend, with each team hiring its own in-house creators to specialize in this area.

It is important to have a competitive and strong roster in popular game titles. Now, *Apex Legends* and *Valorant* are the most popular PC titles in Japan, and teams with high rankings in these two titles remain popular. However, Japan also has a distinct taste in titles, with games *Rainbow 6 Siege*, *Identity V*, and *Brawl Stars* more popular in Japan than in other esports markets. Mr. Tomori of SCARZ describes this as "Galapagos syndrome," expressing concern that, "it may be said, a negative factor right now is the difference in games that are popular here and those that are popular overseas. We are afraid that global esports publishers may reduce their budget in Japanese market due to a lower popularity of global titles."

Spectator trends are also understood to be different in Japan, with a high number of spectators who are not gamers themselves. Mr. Daisuke Nishihara, ZETA DIVISION, CEO, explains "I get the feeling that in Japan there's a stronger culture of 'watching games but not playing them'

compared to other regions in Asia. Video game livestream and let's play culture has existed for quite a while on platforms such as NicoNico Douga. But, with the COVID-19 pandemic, it has become influential. Before I entered the esports scene, I saw quite a number of lighter or casual video game streams. Most fans start watching livestreams of game influencers and gradually get into the competitive scene." Mr. Tomori of SCARZ suggests something similar, "I have the impression that passive viewers or lurkers who do not play video games are increasing in number. They really focus on watching players, not video games." Niko sees that this feeds into a stronger value placed on esports and game content creation as well as the importance of esports companies as lifestyle brands. Growing and wider awareness of esports among gamers and non-players alike is changing the way partnerships are valued.

Before 2019, sponsorships were limited to PC makers and other companies with direct synergies with esports, but now sponsorships from other industries such as Nissin Foods (known for Cup Noodles) and other non-endemic brands are increasing. According to Mr. Nishihara of ZETA, team owners feel that sponsorship fees have also exploded and are expected to grow more than tenfold compared to five years ago. Still, the companies we spoke to express the feeling that their activations and partnerships are undervalued and underutilized.

Another way teams tap into this growing audience is through merchandising with many teams, including FENNEL, ZETA, and SCARZ, building lifestyle branding. Teams are opening more and more retail stores. These facilities are quite active due to the popularity of players and streamers and have the potential to become a powerhouse for esports in Japan. Mr. Tomori of SCARS told Niko, "I get the feeling there are a lot of stylish gamers. The idea that playing games is cool encourages fans to purchase team merchandise."

One other potential area for audience growth that is still to be developed is attracting women to esports, as players and fans. The growing legitimacy of esports – which is leading to more interest in esports careers overall – is also helping to attract a wider audience demographic, including women. Mr. Nishihara of ZETA explains, "Attaining female fans is very important. Female fans tend to support their favorite teams longer than male fans, and they also play a role in attracting other female fans. There is an environment in Japan where females are also familiar with video games from an early age." Titles are also playing a role in this, Mr. Tomori of SCARZ explains that with the popularity of titles like *Identity V* more women are getting into esports games.

On the business side esports teams continue to seek funding and partnerships as key to their business. They need a good deal of business investment, particularly as international organizations that hope to expand overseas and participate in large international leagues. As a result, some teams are raising small amounts of capital from VC firms with the aim of going public in the future, while others are joining groups of major companies to obtain large amounts of funding, such as DFM and SCARZ.

The number of foreign investors supporting or partnering with Japanese teams remains low. Japanese teams' valuations are low in light of their revenue and growth potential, which may bring more foreign investors into this market. Japanese teams are also seeking to expand internationally. SCARZ employs international creators, while DFM is actively looking to expand its presence into South Korea. Mr. Tomoyuki Umezaki of DFM said, "Our expansion into Korea will begin in 2023 with the Valorant International League. DetonatioN FocusMe is a popular *League of Legends* team in Korea, and since there aren't many Korean players, we are aiming to take root there."

One point of concern for the teams we interviewed was the nature of esports as publisher driven events. Esports teams and players are affected by changes to games and league formats implemented by publishers and organizers, without much recourse or security. Mr. Umezaki of DFM explained, "Teams are vulnerable to the will of publishers, there are no restrictions on changes to rules/formats in major tournaments of official leagues." Mr. Nishihara of ZETA told us, "The power balance between games publishers and teams is an ongoing challenge. If a publisher says 'no' then there are things that ultimately the team cannot oppose, unlike sports." Famously, Nintendo has sought to block esports competitions around its popular brawler series *Super Smash Brothers*. Lack of regulation around tournaments is a wider issue in the esports ecosystem. Korea, as a more mature esports market, has even begun to introduce some legislation around this but it is unclear if or when this approach may be adopted in Japan.

There is excitement for the future of esports in Japan. There is a sense among the companies Niko Partners interviewed that the culture of esports in Japan is changing and growing and will be different in the next five years. There is a sense that esports in Japan are five years behind other leading markets. Mr. Umezaki of DFM says, "Currently, whether pros or amateurs, Japan has quite a lot of esports teams. It resembles the esports scene of the US and EU in 2010-2015.

Teams will get weeded out and consolidation will increase.” While this means there is some volatility in the market, it also is a sign of significant opportunity for the teams that succeed. Mr. Tomori and Mr. Kashiwagi of SCARZ tell us, “The size of the esports fanbase and number of players will increase in five years. Current players will begin to retire, and new players will pursue their career in esports, different from the current players. They will have been inspired by current esports players.” He also predicts that as the environment matures, Japan will begin to attract players and fans from overseas.

### Conclusion

Overall, the Japanese esports market is moving up and to the right – growing as we speak. Its combination of a strong gaming culture and publisher support, unique streaming and fan ecosystem, and distinct pool of popular titles make Japan a market with strong opportunity and rapid development. Looking forward, Japan has strong growth potential if it can tap into the wider international esports market, encourage and capitalize on esports tourism, and if Japanese developers show stronger support for the domestic esports market.

This report was made possible thanks to interviews with Japanese esports leaders Mr. Tomoyuki Umezaki of Detonation FocusMe, Mr. Daisuke Nishihara of ZETA DIVISION, and Mr. Yoichi Tomori and Mr. Toshihiro Kashiwagi of SCARZ, as well as Yuki Matsumoto, a Japanese lawyer from Nishimura and Asahi, who has played a part in shaping the current regulations and policy that will help build the domestic esports industry. You may learn more about Niko’s ongoing [esports research](https://nikopartners.com/esports-research) at [nikopartners.com](https://nikopartners.com).