
CHAMBERS GLOBAL PRACTICE GUIDES

Sports Law 2025

Definitive global law guides offering
comparative analysis from top-ranked lawyers

Japan: Trends & Developments
Shiro Kato and Chihiro Shimaoka
Nagashima Ohno & Tsunematsu



JAPAN

Trends and Developments

Contributed by:

Shiro Kato and Chihiro Shimaoka
Nagashima Ohno & Tsunematsu

Nagashima Ohno & Tsunematsu was the first integrated, full-service law firm in Japan and is one of the foremost providers of international and commercial legal services based in Tokyo. The firm's overseas network includes offices in New York, Singapore, Bangkok, Ho Chi Minh City, Hanoi and Shanghai, and it has collaborative relationships with prominent local law firms throughout Asia and other regions. The more than 500 lawyers at the firm, including about 40 experienced attorneys from various jurisdictions outside Japan, work together in cus-

tomised teams to provide clients with the expertise and experience specifically required for each client matter. The firm has lawyers who are well-versed in international sports business and has successfully represented a wide variety of clients in the sports industry, including top international athletes and coaches, professional sports organisations, international and national federations, event organisers, sponsors and partners, media companies, content providers and tech service companies.

Authors



Shiro Kato is a partner at Nagashima Ohno & Tsunematsu. He provides advice to athletes, sports teams, event organisers and sponsors on all aspects of international sports law,

including negotiating sponsorship deals for sponsors, athletes or sports organisations, advising sports content/service providers on Web3-related matters and sports tech, representing clients before the Court of Arbitration for Sport and providing advice on dispute resolution and risk management generally. He graduated from the University of California in Los Angeles, School of Law (LLM) with a specialisation in entertainment, media, and IP and has worked for a sports agency in Los Angeles. He is admitted to the Japanese Bar and the State Bar of California.



Chihiro Shimaoka is an associate at Nagashima Ohno & Tsunematsu. Her main areas of practice are capital markets such as procuring funds through the issuance of equity shares of

corporations and the listing of these shares in the stock exchanges of Japan. She has broad knowledge and expertise in initial public offerings, public offerings and stock-based compensation.

Nagashima Ohno & Tsunematsu

JP Tower, 2-7-2 Marunouchi
Chiyoda-ku
Tokyo 100-7036
Japan

Tel: +81 368 897 694
Fax: +81 368 898 694
Email: shiro_kato@noandt.com
Web: www.noandt.com/en/lawyers/shiro_kato/

NAGASHIMA
OHNO &
TSUNEMATSU

Contracts Between Companies and Athletes

The Japanese government has placed increasing emphasis on the growth of the sports business as one of its key policies. Recently, more and more private companies that were not traditionally involved in sports have become involved in the sports business. In recent years, new leagues have been established in various sports in Japan, and some existing leagues have been restructured to make the sports ecosystem more sustainable.

Companies that are not professional sports organisations themselves have played an important role in the sports business in Japan. Many Japanese sports teams have been managed by Japanese companies that want to use these teams as their advertising vehicles.

In recent years, sports teams have moved away from this model and more of them have become professional teams but the proper support of sports teams by companies and the employment of athletes for this purpose continue to be of significant importance for the growth of the sports business. This has also provided more benefits to companies than ever before, as there are increasing opportunities for companies to leverage their relationships with athletes to

achieve their business objectives. In addition to the growing value of harnessing the social influence of athletes, benefits include the development of employee pride and a sense of unity within each company that is achieved through the support of its athletes, the development of local communities and the value of supporting athletes' second careers, particularly where companies employ athletes.

When a company enters into a contract with an athlete, there are several types of contracts available. However, in Japanese practice, it is particularly important to distinguish whether the contract is an “*employment contract*”. If the contract is an “*employment contract*”, ie, the athlete is an “*employee*”, the relationship is governed by Japanese labour laws, which are generally very employee-friendly and provide strong protection for employees' rights.

Second Careers for Athletes

The increase in employment and other forms of support for athletes by companies that were not traditionally involved in the sports business is significant in terms of supporting the career transition of retired athletes, which has been a long-standing issue in the Japanese sports industry. There is widespread recognition of the

post-retirement challenges faced by athletes whose lives have been centred on high-level sporting activities. There are limited opportunities to pursue careers as coaches or managers, where athletes can directly use their sporting experience, while new careers in the outside world are not always easy due to the lack of experience outside of sport and the magnitude of the change from a sporting life. Employing more athletes also has multiple benefits for companies, such as generating good PR for companies and showcasing companies' ESG policies by highlighting the social significance of sport and career support.

In the *"Third Sports Basic Plan"* released by the Ministry of Education, Culture, Sports, Science and Technology in 2022, which sets guidelines for the development of sports in Japan for the next five years, promoting career support for athletes is one of the key objectives. The Sports Career Support Consortium has been established by sports organisations and private companies with the aim of developing a career development support system, with the support of the Japanese Sports Agency. The Japanese Olympic Committee is also working to support the careers of athletes through the operation of *"Ath-navi"*, a recruitment platform which matches active athletes with companies.

Types of Contracts With Athletes

In Japan, when companies enter into contracts with athletes to support them or to benefit from their publicity, they usually select one of the following major types of contracts. A particularly important distinction is whether the contract constitutes an *"employment contract"*.

"Employment contract"

This type of contract is used where a company employs an athlete as an *"employee"*. In principle,

the athlete works exclusively for one company. The athlete's rights are well protected under Japanese labour laws.

"Service contract"

This is where a company contracts or commissions an athlete to participate in certain sports activities. The athlete is usually assigned exclusively to one company. The athlete is usually not involved in the general business of the company and only participates in sports activities.

Sponsorship (endorsement)

This is where a company is granted a licence to use the athlete's name, image and likeness and the athlete provides certain services for the promotion of the company. Athletes may sign sponsorship deals with multiple companies, but contracts with competitors are often restricted to maximise the value of the sponsorship.

Affiliation (shozoku)

This is a unique arrangement that is used in Japanese sport. In this arrangement, an athlete is *"affiliated with"* or *"belongs"* to a company but is not necessarily *"employed"* by the company in a legal sense and is typically exclusively *"affiliated with"* one company. In some cases, this *"affiliation"* takes the form of an employment relationship, while in other cases, *"affiliation"* refers to a mere *"service contract"* or sponsorship arrangement. This arrangement is used in Japan because, in sports events or media coverage, the participating athletes are often introduced with the name of the companies with which the athletes are *"affiliated"*. This creates an advertising opportunity for the companies.

Criteria for Determining Whether an Athlete is an *"Employee"*

If a company hires an athlete as an *"employee"*, the athlete is protected by labour laws as

an “employee” and the company must comply with those laws. Therefore, before entering into a contract with an athlete, a company must determine whether the athlete is to be hired as an “employee” or under some other form of contract based on, among other things:

- the purpose of the engagement;
- the role expected of the athlete;
- the nature of the services; and
- the sports activities to be performed.

It should be noted that, whether the athlete is an “employee” of the company does not depend on the name of the contract, but on its substance, based on specific facts regarding the relationship between the company and the athlete.

So how do you generally determine whether a person is an “employee”? Under Japanese labour laws, an “employee” is defined as a person who is employed by an employer to perform work and is paid a wage.

Based on this definition, the important factors in determining whether a person is an “employee” are:

- whether the person is employed by an employer, ie, whether they are working under the direction and supervision of the employer; and
- whether the person is receiving remuneration in return for work.

The first factor can be further subdivided into:

- whether the person has the freedom to accept or refuse requests for work and instructions to perform the work;

- whether the person is required to comply with the company’s specific directions and supervision in the performance of the work;
- whether there is any obligation relating to the working hours and place of work; and
- whether the person is allowed to have another person perform the work in substitution.

In addition to these factors, who bears the cost of equipment used in the work, whether or not the person is restricted from working for other companies, and various other factors, such as withholding tax and social security coverage are also taken into account in determining whether a person is an “employee”.

Impact of Athlete Being Classified as an “Employee”

Regulations on dismissal

When a company unilaterally terminates a contractual relationship with an athlete who is an “employee”, this constitutes a dismissal and various regulations on dismissals apply under labour laws. In particular, if a dismissal lacks objectively reasonable grounds and is not considered appropriate in general societal terms, it is treated as an abuse of rights and is invalid under Article 16 of the Labour Contracts Act.

In addition, an employer cannot dismiss an “employee” while the “employee” is absent from work for medical treatment due to an injury or illness sustained in the course of employment, or within 30 days thereafter under Article 19 of the Labour Standards Act. An employer must provide at least 30 days’ advance notice to dismiss an “employee” under Article 20 of the Labour Standards Act and, at the “employee’s” request, must deliver a certificate stating the period of employment, type of occupation, position in the business, wages, and the reasons for the dis-

missal under Article 22 of the Labour Standards Act.

Regulations on working hours

Regulations on working hours also apply to athletes, who fall under the category of an “employee”. The Labour Standards Act stipulates that the legal working hours are, in principle, 40 hours per week and eight hours per day (Article 32), and employers are subject to penalties if they allow “employees” to work beyond these working hours unless they comply with certain requirements (Article 119). In addition, extra wages must be paid for overtime and holiday work (Article 37).

Industrial accident compensation insurance

Regular “employees” are covered by industrial accident compensation insurance. Under the Industrial Accident Compensation Insurance Act, any person who is subject to an injury, illness, disability or death occurring in the course of employment is eligible for insurance benefits. Therefore, if an athlete who falls under the category of an “employee” suffers these accidents in the course of their employment, they will be entitled to benefits under the insurance scheme.

Selecting the Type of Contract With Athletes

Even if the contract is called “service contract” rather than an “employment contract”, labour laws would apply if the person concerned falls under the category of an “employee”. When there is such a discrepancy between the name of the contract and the true nature of the contract from the perspective of labour laws, there is an increased risk of labour law violations and disputes between the parties, as well as the unexpected application of labour laws and burdens on the company.

Therefore, when a company enters into a contract with an athlete, it is important to consider what type of relationship is preferable for the company and to structure it accordingly, so that the name and content of the contract accurately reflects the true nature of the relationship between the company and the athlete.

If a company hires an athlete as an “employee”, it is also important to clarify whether sports activities are included in their duties as an “employee”, rather than the sports activities being mere leisure or recreation. Whether the sports activities are included in the scope of work is to be judged on the basis of whether the sports activities are carried out under the direction and supervision of the employer and whether the remuneration for the sports activities constitutes compensation for work, in line with this criteria. More specifically, with respect to the existence of the company’s direction and supervision, it is important to consider, for example, whether and to what extent there is direction or involvement by the company with respect to the time, place and nature of the athlete’s participation in competitions and training (including whether the athlete is free to accept or reject this direction or involvement). With regard to remuneration, it is also important to compare the athlete’s remuneration with that of ordinary “employees”.

If sports activities are included in the duties of the athlete as an “employee”, the hours of sports activities will be subject to the working hour regulations. In addition, an important practical consideration is that injuries resulting from sporting activities are also covered by industrial accident compensation insurance, as these injuries occur in the course of employment.

Conclusion

In order for a company to maximise the value of its contracts with athletes, it is important to select the appropriate type of contract, taking into account the business objectives of the company, such as enhancing the company's image, raising "*employee*" awareness and addressing ESG/SDG issues. In practice, the type of sport, such as individual or team sports, and the rules and customs of each sport may also need to be considered when determining the specific terms and conditions of the contract. Companies and athletes will both benefit the most if their contracts are appropriately structured.

CHAMBERS GLOBAL PRACTICE GUIDES

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Rob.Thomson@chambers.com