

Lawyers in Tokyo and Their Work for Businesses¹

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1 Introduction

Japanese lawyers in private practice have played a comparatively limited role in business and economy². The main clientele of Japanese lawyers have been individuals and small or medium-sized companies. The main work for Japanese attorneys were representation before the court. They considered drafting legal documents and providing legal advice for businesses not as important as contentious matters.

However, one of the remarkable changes that Japanese attorneys have undergone in recent years is that their practice for businesses, especially in Tokyo, has been expanding, and some practitioners are beginning to specialize in new business law areas such as major business transactions, intellectual property, antitrust law, mergers and acquisitions and so forth. At the same time, most international business firms are increasing their legal staff for handling legal matters, especially international ones. Some of the large corporations are also reinforcing their domestic legal staff.

In theory, these changes may suggest a process of legalization of ordering in the Japanese economy. However, it is also possible that these changes are only within the boundary of the traditional pattern of socio-legal ordering in Japanese economy. It is, therefore, an interesting and important task for us to inquire how Japanese attorneys are responding to the new circumstances and to describe the

present state and recent changes of their practice on the basis of empirical data.

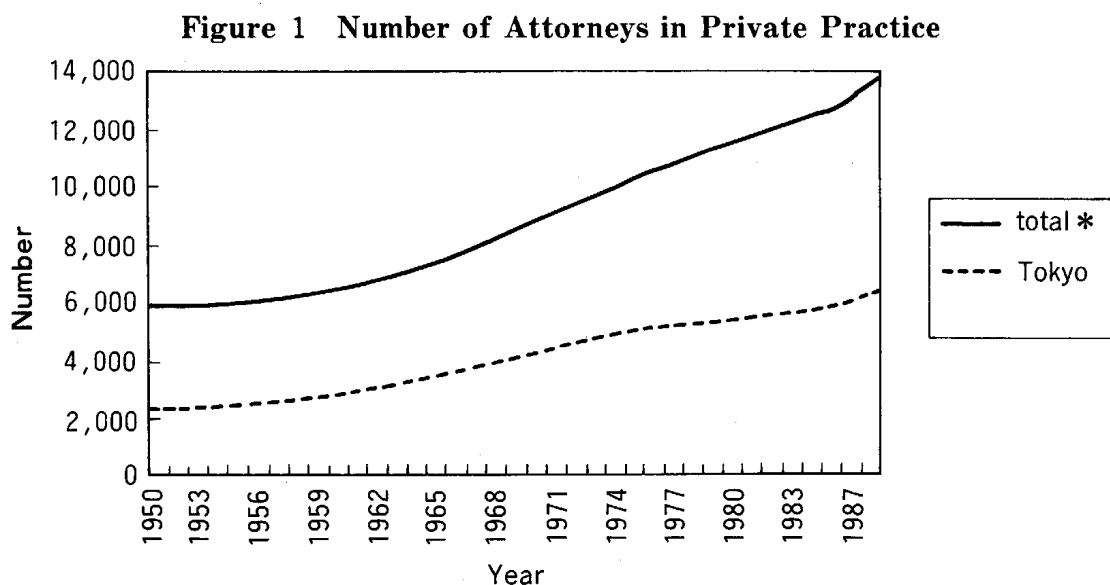
There are a few sets of empirical and statistical data available as to the pattern of the Japanese attorneys' practice in recent years. Furthermore, in 1988, the author did a survey of a random sample of private practitioners in Tokyo. Based mainly upon this empirical data, this paper describes and analyses the present state of and the recent change in practice of attorneys in Tokyo and their work for businesses.

2 Private Practice in Tokyo

In Tokyo there are about 6500 practicing attorneys. They constitute a little less than half of all the attorneys in Japan. It is well known that the Japanese practicing bar is very small and the distribution of this small number of lawyers is far from even (Fig. 1, Fig. 2 and Table 1).

Law offices in Japan are small. First of all, in 1990, 56 percent of attorneys in Japan were sole practitioners. Another 9 percent are sole practitioners with one or more associates. The ratio of sole practice is relatively low in Tokyo (42 percent) compared with other areas (Nichibenren 1991 : 14)³.

A more collective professional practice is not as developed as in other industrialized countries. The collective management of law offices known as partnership



Note : *excludes attorneys in Okinawa for the purpose of consistent comparison.

Source : Tanase, (1987 : 21) Table 4 ; Kahei Rokumoto, "Hosojinko no Genjyo to Mondaiten,"

Jyurisuto, No. 892 (1987), p. 45. Table 2 ;

Hogaku-kyoshitsu Hensyushitsu, "Bengoshikaibetsu Kaiinsu," *Hogaku-kyoshitsu*,

No. 108 (1989), p. 30.

See also Tanase (1987 : 24, Fig. 3).

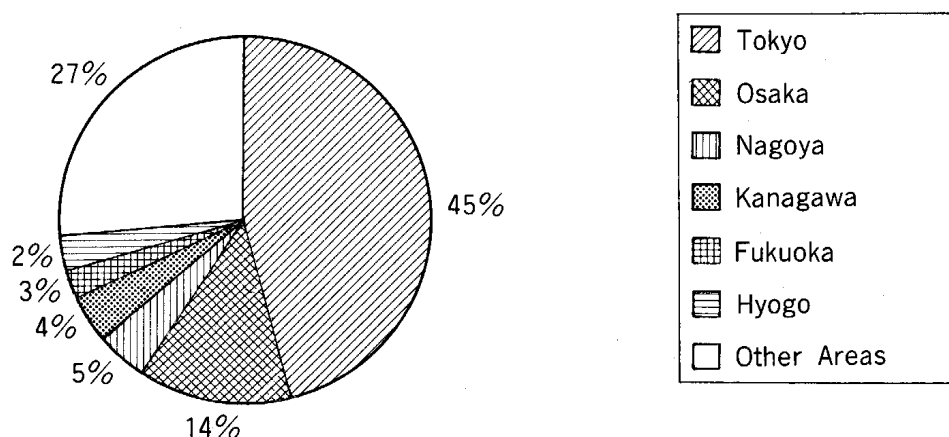
Table 1 Distribution of Attorneys in Private Practice by Region
[1989]

Region	Number of Attorneys*	[%]
Tokyo	6376	46%
Osaka	1902	14%
Nagoya	627	5%
Kanagawa	509	4%
Fukuoka	449	3%
Hyogo	325	2%
Other Areas	3712	27%
Total	13900	100%

Note : *excludes foreign special members

Source : *Hogaku-kyoshitsu* No. 108 (1989) p. 30.

Figure 2 Distribution of Attorneys in Private Practice by Region



is not common. Of all the attorneys in Tokyo, only 11 percent are in partnership (ibid., p. 18). Other lawyers in collective practice share common expenditures but not fees. This type of collective practice of office sharing is comparatively common in Japan. Of all collective practices in Tokyo, 66 percent share offices and 32 percent are partnerships (ibid.). In 1988, 18 percent of all lawyers in Tokyo belonged to a two-lawyer office, and 23 percent belonged to an office with three to four lawyers (Hamano 1993-94 [7] : 63).

In respect of the forms and sizes of law practices, however, Tokyo is an exception in Japan. There is a considerable number of large law firms which are partnerships, and some of them are well known as international law firms. As I will

show later on in this paper, some of these firms were rapidly expanding in size in the 1980s, and the largest one has reached the size of about 50 lawyers.

Tokyo is also different from other regions in Japan as regards the work and clientele of attorneys. With respect to civil matters, lawyers in Tokyo handle more non-contentious (or preventive) cases than lawyers in other regions (Nichibenren 1991 : 39). As regards clientele, lawyers in Tokyo have a larger number of big corporations as their clients than do lawyers elsewhere in Japan (ibid., p. 44).

3 Recent Change in Corporate Legal Practice in Tokyo

3.1 Results of the Empirical Survey

The author did a mailed survey sending a questionnaire to a random sample of attorneys who were practicing privately in Tokyo in 1988⁴. The basic purpose of the questionnaire was to elicit data about the basic variables of the respective respondent's practice (for example, the number of attorneys in his own firm), the present state of his handling of corporate legal matters, and his prospects and hopes of work for businesses in the near future. Randomly selected 500 practitioners were sent a questionnaire. The response rate was a respectable 37 percent : 185 attorneys. A comparison between the respondents and a different sample of essentially the same population provided additional assurance of the representativeness of the sample.

Based upon the results of my survey and other empirical data available, I will have a brief look at the present state of lawyers' practice in Tokyo and their handling of legal matters for businesses in particular.

If we look at the civil legal practice in general which includes practice for individuals, contentious matters at courts (i.e. litigation and other formal dispute resolution) are decreasing slightly while non-contentious matters and dispute negotiations are increasing also slightly (Table 2 and Fig. 3).

It may be argued that, in the 1980s, attorneys in Tokyo enjoyed economic prosperity. Empirical data shows that their gross revenue and net income increased considerably (Nichibenren 1991 : 78). This growth may have been due to the rapid rise in land prices and the volume of real property transactions and disputes. Rationalization through the use of personal computers and other office equipment are said to be another cause (Nichibenren 1991 : 86). The increase of non-contentious matters, especially in the areas of corporate law and international legal work, may have contributed to some extent to the increase in average revenue.

While traditional legal work such as contentious matters concerning real

Table 2 Types of Civil Cases : Average Number per Attorney in Tokyo

	Non-dispute	Tribunal	Court	Out-of-court Settlement	Total
1980	3.2(10.3%)	1.3(4.2%)	22(71.0%)	4.4(14.2%)	31
1988	3.8(16.5%)	1.1(4.8%)	13(56.5%)	5(21.7%)	23

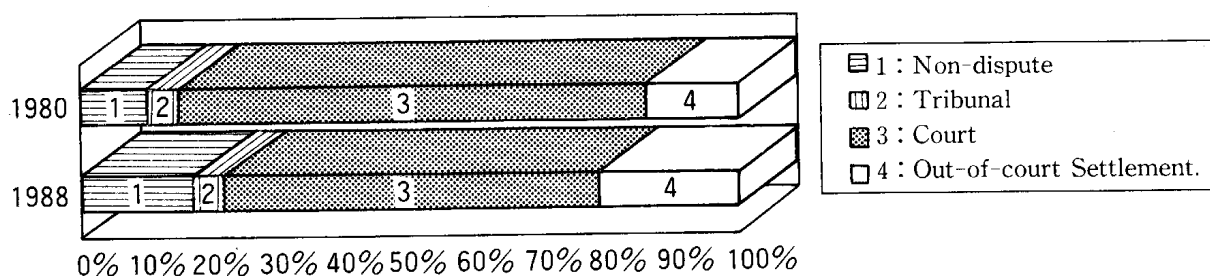
Notes : "Tribunal" means dispute cases brought before a public dispute settlement agency, such as an administrative tribunal.

"Court" means dispute cases brought before a regular court whether for mediation or lawsuit.

"Out-of-court Settlement" means dispute cases handled without intervention of court or other kinds of public dispute settlement agency.

Source : Original Data of JFBA '90 survey ; JFBA Bengoshi-gyomu-taisaku-iinkai (ed.) *Nihon no Houritsu-jimusho* (Daiichi Hoki, 1988) p. 60.

Figure 3 Types of Civil Cases : Average Number per Attorney in Tokyo



property and debt collection is still accounting for more than half of all cases at hand, the relative importance of large corporations as clientele of Tokyo attorneys is growing (Table 3, 4 and Fig. 4, 5).

Let us now focus specifically on the attorneys' work for businesses. In the mailed survey which I conducted in 1988, I asked the respondents about their work for business corporations, including small scale family enterprises. Some of the major findings are as follows.

In the questionnaire I asked the respondents to pick up a maximum of three work categories as the work which they were doing most intensively at the time of the survey. Real property litigation, debt collection litigation and preventive legal work were picked up by 40 to 50 percent respectively. Preventive legal work means legal advice, counseling, drafting contracts and other legal documents. While it has been noted that Japanese attorneys tend to involve themselves in preventive legal practice less actively and routinely than their American counterparts, the survey result shows that the situation is changing at least for practitioners in Tokyo.

I also asked their expectations for future work. While many lawyers (about 30

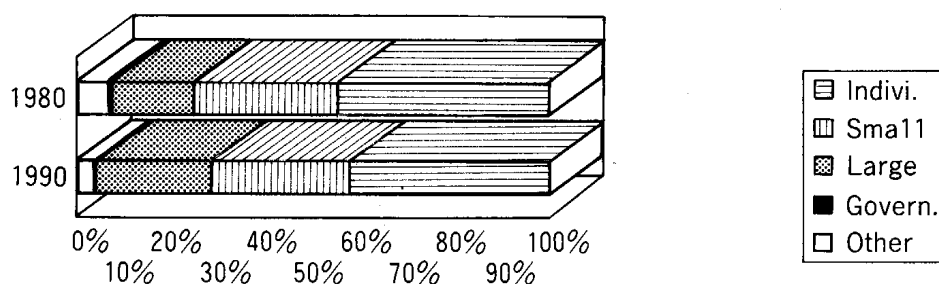
**Table 3 Types of Client in Civil Cases : Average
Number per Attorney in Tokyo**

	Other	Govern.	Large	Small	Indivi.
1980	5.5%	1.4%	17.9%	30.6%	44.6%
1990	2.5%	1.3%	24.5%	29.2%	42.5%

Note : Indiv. : Individual
 Small : Small or medium sized business firm
 Large : Large business firm
 Govern. : Government agency
 Other : Other organization

Source : Nichibenren (1991 : 44, Table 16.5).

Figure 4 Types of Clients in Civil Cases ; Average Number per Attorney in Tokyo



**Table 4 Average Number of Clients who Retain the Attorney
as Legal Advisor according to their Type (Tokyo)**

	Indiv.	Small	Large	Govern.	Other	Total
1980	0.85	6.41	1.76	0.11	0.72	9.85
1990	1.28	6.86	2.21	0.14	0.65	11.15

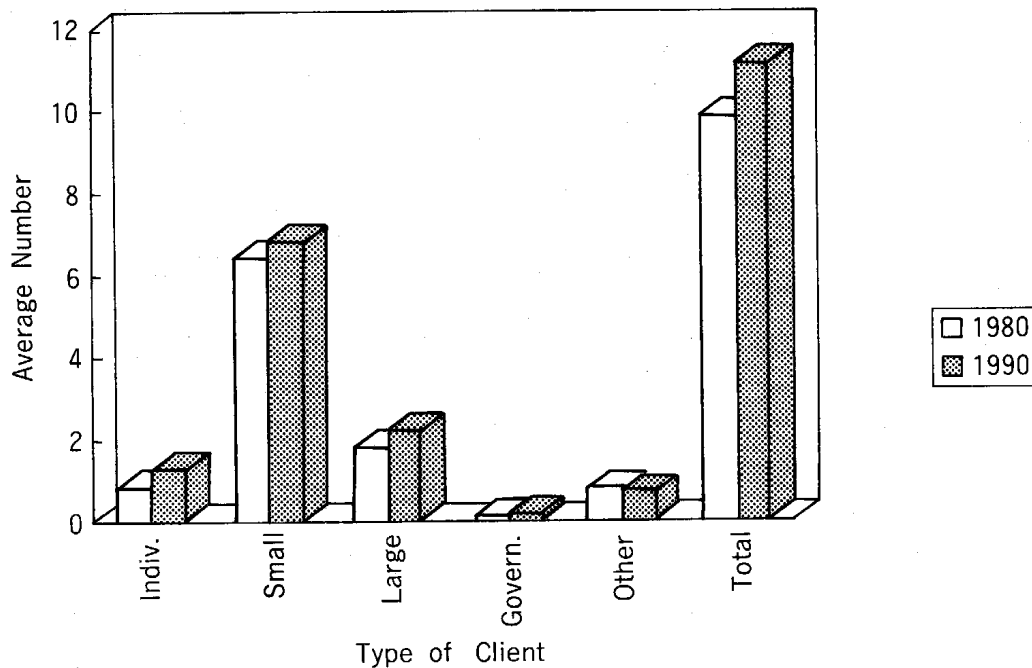
Note : Indiv. : Individual
 Small : Small or medium sized business firm
 Large : Large business firm
 Govern. : Government agency
 Other : Other organization

Source : Nichibenren (1991 : 52, Table 17.1-1).

percent respectively) still intended to concentrate on real property litigation or debt collection litigation, about the same number of attorneys showed their preference for company law, anti-monopoly law work and complicated legal counseling. This suggests that in Tokyo there are a considerable number of attorneys who are interested in the business law area, which is rather new for Japanese attorneys.

In spite of the new tendency toward corporate work mentioned above, the general pattern of attorneys' practice has changed very little. The average size of

Figure 5 Average Number of Clients who Retain the Attorney as Legal Advisor (Tokyo)



practice is still small, and the majority of attorneys remain in sole practice or in an association of office sharing. Less than 10 percent are in partnership. As I have already pointed out, a few firms are rapidly growing in size but they are limited in number.

Let us now look at the size of practices in Tokyo. Although the average size of Japanese law firms remain unchanged, I would like to point out that in Tokyo there have appeared several firms with around 50 lawyers.

Between 1985 and 1990, the number of firms with more than 10 attorneys increased more rapidly than any other size category of law firm. At the same time, the number of medium-sized firms (with 5-9 attorneys) remained remarkably stable. Small firms with less than 4 attorneys were also increasing, but their rate of growth was lower than that of larger firms with more than 10 lawyers (Table 5).

If compared in terms not only of the number of firms but also of the number of attorneys belonging to a firm, the situation in Tokyo becomes much clearer. Between 1985 and 1990, the number of attorneys practicing in Tokyo increased by about 600. The composition of the increase can be broken down as follows. 170-180 attorneys respectively fall into the firm categories of "1-2-size", of "3-4-size" and of "more-than-15-size", while about 80 attorneys are in a firm category of "10-14-size" (Table 5). The medium sized firm with 5-9 attorneys in Tokyo

Table 5 Size of Law Firms in Tokyo, 1985 and 1990
Distribution (Attorneys)

Year	Size of Law Firm (Number of Lawyers in Firm)					
	1-2	3-4	5-9	10-14	15-	total
1985	3728*	997	702	211	200	5838*
	63.9%	17.1%	12.0%	3.6%	3.4%	100%
1990	3898	1179	705	293	375	6450
	60.4%	18.3%	10.9%	4.5%	5.8%	100%
increase	170	182	3	82	175	612
%	4.6%	18.3%	0.4%	38.9%	87.5%	10.5%

Distribution (Firms)

Year	Size of Law Firm (Number of Lawyers in Firm)					
	1-2	3-4	5-9	10-14	15-	total
1985	3055*	302	110	19	10	3496*
	87.4%	8.6%	3.1%	0.5%	0.3%	100%
1990	3378	355	114	25	15	3887
	86.9%	9.1%	2.9%	0.6%	0.4%	100%
increase	323	53	4	6	5	391
%	10.6%	17.5%	3.6%	31.6%	50%	11.2%

Notes : *Estimates

Sources : *Jiyu to Seigi*, Vol. 39, No. 13, pp. 59-61 ; Tanase (1987 : 21) ;
Nichibenren *Kaiin Meibo* (1990).

See also Hamano (1993-1994 [7] : 66).

appears to have found very few new associates or partners as members of their firm in the years from 1985 to 1990.

In 1990, large firms with more than 10 attorneys constituted 1.03% of the total number of firms in Tokyo, and 10.4 percent (668) of the total number of Tokyo attorneys were practicing in such working environment. The largest firms have now reached the size of more than 50 attorneys. One of them is a well known international law firm which was founded by Japanese partners in the 1960s. Most of the large firms that increased their size rapidly in the late 1980s are known to specialize in international legal matters.

Business lawyers are not a new phenomenon in Japanese history. But recent

growth of large firms ought to be understood as indicating the coming of a new age. It is true that these firms are not as large as huge American law firms, not to mention the mega "law factory". What is distinguishing, however, is the rapidity of their growth. While the largest firms in 1980 had only 26 lawyers, the largest one in 1990 had 51. Let us now see some of the background of this rapid growth of large firms in Tokyo.

3.2 Emergence of Large Law Firms in Tokyo

Takao Tanase (1987 : 91-118) analyzed the reasons why there are so few large law firms in Japan. According to Tanase, Japanese law firms are generally under constant pressure which will push them toward the small and primitive -undeveloped types and forms of law firms.

Corporate law practice needs highly specialized and efficient legal services which require, and develop, large law firms with specialized divisions. However, the risk of litigation and other legal disputes which a company faces in Japan is so limited that corporate need for attorneys is primitive and limited and even a small firm or sole practice is likely to meet the demands of a corporation.

At the same time, Japanese companies, especially large corporations, have their own in-house legal staff⁵. Although the great majority of them are without a legal qualification, most of them are efficient and have much experience and knowledge. They can easily cope with the routine legal work at comparatively low cost.

In theory, potential legal disputes which business corporations face can be brought about by various kinds of organizations and people. Consumers, trade partners, and government agencies are major origins of such potential legal disputes for businesses (Tanase 1987 : 118). In Japan, the informal and consensual nature of government regulations (see Upham 1987 ; Haley 1991) may serve to limit the opportunities for businesses to take legal preparations for a government regulation. Litigation between Japanese companies, especially between large leading companies, is also quite rare. Japanese consumers are less litigious than their American counterparts.

I would like to suggest that these factors, including the underdevelopment of law firms, are only parts of larger configuration and general pattern of socio-legal ordering in the Japanese economy. For the purpose of understanding the present situation of Japanese business lawyers, we also have to pay attention to the wider context in which they are playing their social roles in the Japanese economy

(Hamano 1995 : 159-161).

It is helpful here to have a brief look at the recent development of law firms in the United States. Marc Galanter and Thomas Palay (1991) analyzed the causes of recent rapid growth of law firms in the United States, especially since 1970s. They emphasized the importance of the promotion-to-partner tournament among associates, which they considered as the major factor for the purported exponential growth of law firms. What is more important to me is that they pointed out several other factors which have much to do with the rapid growth of American law firms since the 1970s.

Galanter and Palay suggested a correlation between the rapid growth of the size of law firms and the increase of business disputes and changes in the business use of law (Galanter & Palay 1991 : 43-44, 115-116). They pointed out that recent changes in the American economy have led to an increase in complex business litigation, which may have brought about the increase of demand for legal services among business corporations. They seem to put less emphasis upon these economic and other factors than upon the inner "growth engine" of the promotion mechanism, but it seems to me that we have to pay full attention to the demand side factors, especially the changes in the economy and their impact upon the corporate demand for legal services. We also must not ignore the cultural factors. The recent growth of the large law firm in the United States can not be fully understood without taking into consideration the American legal culture, which basically determines the pattern of socio-legal ordering in the American economy (Hamano 1995 : 160).

It seems to me that management considerations of an economy of scale and the inner dynamics of the promotion-to-partner tournament are the working factors also for Japanese big law firms, just as Galanter and Palay have pointed out with respect to their American counterparts⁶.

Furthermore, I would like to stress the importance of demand side factors. The rapid growth of large law firms corresponds, in my view, with the increase of lawyers and corporate legal needs. Most of those new legal needs probably arise in the business law area and especially in the international legal matters. The fact that many major foreign international law firms have set up branch offices in Japan under the new Foreign Lawyer Law since 1987 is another good example of the expansion of the legal market in Tokyo.

In 1986, the Foreign Lawyer Law (the Special Measures Law Concerning the Handling of Legal Business by Foreign Lawyers) was enacted to allow foreign

lawyers to practice in Japan (for a general account of the new system, see Wohl et al. 1989 ; Law in Japan 1988). Under this new law, about 30 foreign lawyers were practicing in Tokyo in April, 1988 (Hamano 1993-94 [10] : 49), and there are now about 70 foreign lawyers practicing in Japan (Nichibenren 1995 : 134). Most of them are working in Tokyo.

The introduction of the new system can be understood as innovating the system of providing international legal services in Japan. Some of the major international law firms in New York, London and Los Angeles have opened their branch offices in Tokyo⁷. Their practices have had a considerable impact on the Japanese attorneys (Hamano 1989, 1993-94 [11], [12]). The new system can be also understood as the institutionalization of transnational legal practice (Campbell 1982) in Japan following the globalization of the economy. The Foreign Lawyer Law was amended in 1994 under pressure from abroad requiring a more open legal market.

3.3 Institutional Inertia and New Opportunities

I can suggest from what I have seen above that there is a danger of suppressing the potential opportunities for the development of new legal practice, especially of corporate legal practice. Among lawyers in Tokyo there is a real preference toward new areas of law practice for which larger size of practice and inter- and intra-firm specialization may be necessary or suitable. However, this orientation is not yet reflected in practice except for the rapid growth of a limited number of firms, most of which are specializing in international legal matters. To be sure, the new tendency toward corporate work may in fact prove to be so primitive that the present poor practice of most attorneys in Tokyo will suffice. But it may also be the case that some discouraging factors are working to prevent the potential from being realized.

Looking from the demand side, the need of Japanese companies for outside lawyers has been growing since the 1960s. A survey conducted by JFBA (Japan Federation of Bar Associations) in 1991 shows that a considerable quantum of legal need among business firms in Japan remains unmet (Nichibenren 1992).

My theoretical hypothesis is that especially since the 1980s, the impact of structural changes in the Japanese economy upon the domestic legal and social order has been so large that the legal needs of corporations doing business in Japan are changing not only in quantity but also in quality. To put it quite simply, the role of administrative bureaucracy is declining and the functioning of market forces and

private initiative is expanding. This means, in theory, that private attorneys could and should take the place of the bureaucrats in the administration and management of ordering in the Japanese economy (Hamano 1989, 1991, 1993-94, 1995). The intermediary between market transactors is the prototypical social role of an attorney (Rueschemeyer 1973 : 5-9 ; Weber 1972). Admittedly, this hypothesis is too simplistic to explain the recent complex situations in the Japanese economy and its changes, but it is significant to consider the fundamental forces behind those changes and their possible impact upon the legal and extra-legal ordering in the Japanese economy.

Until quite recently, the Japanese economy was based mainly upon a domestic and indigenous ordering mechanism whose principal characteristic is relational and informal (Haley 1991 ; Murakami & Rohlen 1992 ; Gerlach 1992). Normal functioning of the Japanese economy was achieved without constant and great involvement of attorneys and law firms. However, according to my understanding, the situation is changing now.

Yet, formal legal institutions cannot respond to the new circumstances quickly. There exists a kind of built-in reinforcing mechanism of ordering in the Japanese economy, which tends to get rid of germs of new patterns of ordering and preserve the traditional structure of the functionally compensating relationship between the legal institutions (of which the attorneys are the basic ones) and the socio-legal ordering in the economy⁸. This sort of inertia⁹ is culturally determined and deeply rooted, and the socio-legal ordering can therefore be changed only little by little. Still, Japan seems to be at the crossroads now, where reform of the economic and legal institutions is necessary to make the socio-legal ordering in the economy more legalistic and formal.

4 Conclusion

In Japan, as I showed above, on the supply side, there really exist hopes and wishes to step forward into the new business law market. On the demand side, the research by the JFBA shows that there are considerable unmet legal needs of complex and sophisticated nature among Japanese corporations. It follows that the demand and the supply of legal services for businesses in Japan are apparently not matched and it may be safe to say that there is a gap between them. The artificial restriction and inflexible nature of supply of newly-qualified attorneys is probably the major cause of this gap. The stay of growth of medium-sized law firms in Tokyo during the late 1980s is a good illustration of this shortage of supply of young

lawyers. The medium-sized firms seem to be losing out on the opportunities for growth in spite of the expansion of the legal market for businesses in recent years.

The recent growth of corporate demand for lawyers in Japan, however, does not necessarily mean the fundamental transformation of the pattern of socio-legal ordering in the economy. The litigation risk which companies face every day is still at a low level. What I would like to emphasize is that the limiting factors of the supply side are contributing to reinforcing the basic pattern of the ordering of the Japanese economy. In Japanese economy, informal and relation mechanisms are widely spread and even penetrating into the formal organization. Reciprocal interaction between the parties in long-term and continuing relationships are still playing an important role even between business corporations and government agencies¹⁰.

So far as this basic pattern of informal ordering of non-legal nature is economically rational and politically viable, it will survive and continue to determine the functioning of the legal institutions the Japanese economy. However, there are several changes at the institutional level which may have some impact upon the basic pattern of ordering in the Japanese economy, at least in the future.

The globalization of world economy and deepening of interdependence among major economies require so-called harmonization of the economic institutions among major industrial societies. The Japanese economy can not avoid such tendency (Nakatani 1987 : 27-43 ; but see Gerlach 1992 : 265-274 ; Murakami 1992, 1994 ; see also Aoki 1988 : 291-297, 1995 : 192-221). It is true that what matters is the degree and pattern of harmonization (see Funada 1992), but even at the present time, major institutional reforms are rather rapidly taking place in several areas. Besides the recent reform of the Legal Examination and the enactment of the Foreign Lawyers Law, I can point out the enactment of the Administrative Procedure Act of 1993, the reform of the Commercial Code in 1993 that encourages shareholders' derivative actions and the enactment of the Products Liability Act in 1994. The Fair Trade Commission is now enforcing the Anti-Monopoly Law and Regulations more strictly and severely against business corporations engaged in illegal actions. The results of these recent reforms are yet to be seen, but they may lead to a stronger legalization of the ordering in the Japanese economy. Of course, the point is how legal it will be, and that is a matter of empirical research¹¹.

The changing process of socio-legal ordering in Japan has been continuing since the beginning of the modernization, i.e. the late 19th century. These one hundred years of cumulative change may lead to the transformation of the basic and

deep-rooted pattern of socio-legal ordering, which has never been experienced before. This process of long-term and gradual change is the product of the encounter between Japan and the West in the field of law and the resultant transformation of the Japanese legal culture. The process is still continuing, and my point is that private attorneys can and should play the crucial and decisive role in this transformation.

Notes

- 1) This paper is a slightly revised version of the paper presented at the Section **Pa** (Lawyers and Legal Procedures for Business) of the 1995 Annual Meeting of the Research Committee on Sociology of Law, International Sociological Association, Tokyo, 2 August, 1995. I wish to express my special thanks to Mr. Matthias Voss for checking the language of the paper. Detailed Notes and References are omitted. For those who read Japanese, see Hamano (1993-1994 ; 1995), upon which this paper is based.
- 2) For a general account of the Japanese practicing attorneys, see Rokumoto (1988), Tanaka (1976 : 254-620).
- 3) Sole practitioners with one or more associates account for 10 percent of all practitioners in Tokyo.
- 4) For an analysis of the results of the author's mailed survey, see Hamano (1991 ; 1993-1994).
- 5) Characteristics of the corporate legal department of Japanese businesses are as follows (see Kojima [1981 : 179-218, 1986] ; Keiei-hoyukai & Syojihomu-kenkyukai [1991] ; Keiei-hoyukai [1986] ; Degawa [1986] ; Imamura [1994] ; Kitagawa [1994]).

1 : Most of the major corporations have legal departments, but many small companies, which constitute the vast majority of Japanese corporations, do not have their own legal department.

2 : Staff of the department ; Qualified lawyers are rare in the Japanese legal department. Most staff are law graduates from a university, but some are from other faculties like, for example, economics. This is one of the fundamental differences from the corporate legal department in the United States or England.

Non-qualified legal staff has been common since the pre-war period. Many law graduates without a formal qualification were hired by large corporations. They worked in various sections and could provide some sort of legal services for their own company. Even before the in-house legal department developed, most of the Japanese

companies could enjoy their services. But the non-lawyer employee with some knowledge of law also did legal work. The degree of specialization regarding legal affairs within a company was very primitive and limited. The underdevelopment of the legal section of the Japanese company cannot be properly understood unless one takes into consideration the limited or marginalized functioning of the formal legal system in regard to Japanese economy. At the same time, the supply of qualified lawyers has been chronically limited. Therefore, the system of the corporate legal section without qualified lawyers could and had to be fully developed.

3 : Most international businesses in Japan are increasing their legal staff for handling international legal matters. Some of the large firms are also reinforcing their domestic legal staff. The legal divisions of smaller firms are, however, not expanding to the same degree as their counterparts in larger companies.

- 6) Several partners of large firms in Tokyo suggested to me during my interviews in 1988 the importance of an economy of scale in the office management and the necessity of constantly recruiting young associates as well as increasing the number of partners and associates beyond a certain level. See Hamano (1993-94 [7] : 68).
- 7) Based upon my interviews with 12 foreign attorneys and 11 Japanese attorneys whose specialty is the area of foreign law, the strategies of foreign law firms opening their branch offices in Tokyo could be categorized into three types. See Hamano (1989 : 168-169). This categorization concerns those foreign lawyers who set up their offices just after the opening of the Tokyo legal market. In the early 1990 s, as the Japanese economy is facing great difficulties, the business conditions for foreign lawyers in Japan have changed, so that they may, on one hand, have new business opportunities or, on the other hand, have lost some clients.
- 8) For the concept of complementarities and interconnectedness of attributes of economic institutions, see Aoki (1994, 1995 : 18-25, 192-221).
- 9) For the concept of institutional inertia, see Aoki (1994 : 22, 31).
- 10) In this respect, Jane Kaufman Winn's analysis of the legal informality of the economic and social order is theoretically suggestive. See Winn (1994) and also Upham's comment (Upham 1994). My hypothesis is that until recently and since the Meiji era, the Japanese economy was based mainly upon a traditional and indigenous ordering mechanism whose principal characteristics are relational and informal. During that period, functioning of the Japanese economy was achieved without constant and great involvement of attorneys and law firms. However, my point is that the situation is now changing. The Japanese economy is in the process of structural change which requires the economic order to be more formal and legal. For a similar understanding, see Tanase (1991).
- 11) In addition to these and future reforms of legal institutions closely related to the Japanese economy, the basic pattern of the network of continuing relationships among Japanese companies cannot possibly avoid being transformed to a certain extent in the near future. See, for example, Murakami & Rohlen (1992 : 100-105).

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